

HOME NEWS

Grant threat to county councils that cut local bus subsidies

By Michael Bally

transport Correspondent

In a big change of policy on a few months ago, Mr. Rogers, Secretary of State for Transport, is threatening to punish county councils that try to economise by cutting subsidies to local buses, now about 150m a year.

Those that do, including some city-controlled councils such as London, Birmingham, and Hereford and Worcester, may get heavy cuts in transport supplementary grants.

The decision may anger the many counties where Tories are in control in May largely on promise of containing public expenditure. They may find themselves penalised by a minister whose central theme in his June White Paper was greater local autonomy.

Ironically, Mr. Rogers was earlier this year chastising the councils for not doing enough to subsidise buses too much to keep services going and fares low.

Since then there has been a marked shift in Government thinking and Mr. Rogers fears that if economies urged there are pursued now, bus services may be reduced and the state-owned National Bus Company, which operates most rural and inter-town services, placed in serious financial difficulty.

In a letter to Mr. Alan Fitch, about MP for Wigan, Mr. Rogers says: "In rural areas, no subsidy is forthcoming. Services slip rapidly into the vicious spiral of decline: large increases, reduced patronage, service cuts and ultimately the disappearance of bus services from many areas."

I am at this moment considering each county council's annual transport plan and paying particular attention to their plans for public transport.

"Among the shire counties there are those who have increased their bids for revenue support next year, as the White Paper suggested they should. Others have made adequate provision of what operators need to keep services running. But a significant number have made bids which on the face of it will fall considerably short of operators' requirements."

"As a result, in some areas service cuts could be drastic. For these authorities, the challenge of the White Paper has apparently been ignored. But in the partnership I want to see fostered and sustained between central and local government, I have no intention of abandoning my commitment to retain and develop effective local public transport."

"This priority will strongly influence the decisions I am still to take on the distribution of transport supplementary grant."

Oxfordshire is a prime example of a county with a radical approach, in the right-wing sense, to public transport. It is trying to develop new, low-cost, village-based services and expects to spend less than £10,000 on fare subsidies this year, compared with more than £10m in South Yorkshire.

Big metropolitan counties are trying to reduce heavy expenditure on fare subsidies and will doubtless reply to ministerial pressure by pointing out that although central government provides about two thirds of the bus subsidies, ratepayers still have to find the rest.

Four weeks' holiday

Schools in Lincolnshire will close for four weeks instead of two at Christmas, to save £55,000, mainly on heating.



World class: Contestants in London yesterday for the Miss World contest, which takes place on Thursday (left to right): Miss Austria, Eva Düringer; Miss Brazil, Madalena Scleraini; Miss Germany, Dagmar Winkler; and Miss South Africa, Vanessa Wannenburg.

500 small schools lost in decade

By Diana Geddes

Education Correspondent

At least 500 village schools in England and Wales have closed over the past 10 years, according to a survey conducted jointly by the Council for the Protection of Rural England and Where, the education magazine for parents. Details are published today in the magazine.

Village schools are closing at a rate of more than one a week, the survey estimates. At least 130 have closed since January, 1975, and a further 95 are being considered for closure. The number being looked at unofficially with a view to future closure, however, is "well into the hundreds", Mr. Richard Rodgers, editor of the magazine, says.

Questionnaires were sent to county councils in England and Wales. Few said they had a definite policy on closures. Most seemed actively concerned about the special difficulties of small village schools, and only a small number saw closure simply in terms of rationalising resources, Mr. Rodgers says.

Size was, of course, one of the main factors taken into consideration, but views differed widely on when a school ceased to be viable. The minimum number of pupils varied from six in a single school in Dyfed, Wales, where the population is sparse, to 80 in Nottinghamshire.

Much depended on individual circumstances. Hereford

and Worcester, for example, reported recently opening a new school, complete with a kitchen, for just 35 pupils. "A major consideration is the size of the catchment area, the distribution of the pupils within the area, and the distance the pupils will have to travel to other schools in the event of closure," the authority explained.

There was usually no set policy on maximum travelling time. Most authorities referred to the guidelines laid down in the government manual, first issued in 1950, which says that, in general, the minister would not regard as reasonable a door-to-door journey of more than three quarters of an hour for a child of primary school age.

Sausage and cooked meat prices up today

By Hugh Clayton

Prices of sausages and cooked meats will rise today because farmers are receiving more for pigs. The largest meat companies will charge between 2½p and 5p in the pound extra on items that have proved to be among the least inflationary processed foods in the past year.

The last price rise was in mid-July, and the latest government survey of food prices in shops shows that sausages and ham rose by less than 7p in the pound in the 12 months to September. The average price of all processed foods rose by about a quarter in the same period.

Meat processors consider that meat products will still be underpriced after today's rises when compared with rival protein foods such as broiler chicken and fish fingers. Unigate is to raise prices of products under the Bowers and Scott Meat brands today. FMC is raising prices of Harris products today and Fitch Lovell and Unilever have given traders notice of increases on products from Robich and Walls in the past week.

Prices of foods made from pigs have been held down because of intense competition from suppliers in other EEC countries who enjoy subsidies derived from anomalies in the workings of the common agricultural policy. Much greater rises are likely next year once the impact of falling pig numbers on British farms becomes intense.

Farmers and meat processors have made repeated appeals to ministers this year for help to prevent a drastic contraction in their industry. The Government has paid a subsidy worth £17m and insists that further help must come through elimination of EEC anomalies.

Orchestra in difficulty over unpaid musicians

By Martin Hockley

Music Reporter

The English National Orchestra has been forced to stop giving concerts because of difficulties over unpaid musicians. It has cancelled two recent concerts and has no immediate plans for any more.

A tour of West Germany last month ended in disaster when the orchestra missed its last concert. The conductor and artistic director, Mr. William Rutledge, claimed that it missed the concert because of minutes' trouble-making by some of the players.

A member of the orchestra said last week that he knew of no player who had yet been paid for concerts at the Festival Hall last June, at the Queen Elizabeth Hall in July or for the German tour.

After representations from the Musicians' Union, the orchestra cancelled at the last moment a Mozart concert at the Queen Elizabeth Hall on October 26, and a Beethoven concert at the Fairfield Halls, Croydon, on November 9 was also cancelled.

The latest bulletin from the central London branch of the Musicians' Union carried a notice asking members offered engagements with the orchestra to get in touch with the union, and also says the union will handle outstanding claims. Mr. Bernard Paris, the branch secretary, said the union was trying to assess the situation and wanted members to tell it what fees were owing.

He said it had not issued an instruction to stop the October 26 concert, but added: "We did make it known to the management that we were concerned with the position and that we would not be happy about the concert going ahead unless the money was there to pay the musicians."

For some of the players the tour of Germany by the or-

chestra, which has no connection with the English National Opera, appears to have been the last straw.

The orchestra had been playing in Berlin the night before its last concert, and from Berlin the members had driven more than a hundred miles to a hotel in Braunschweig, reaching there in the early hours of October 11. Later that day they set out for their evening concert at Neustadt, near Frankfurt, well to the south.

Frau Elisabeth Delseit, the German agent who acted for the orchestra, said that when she reached Neustadt early in the afternoon she met the Swedish pianist, Barbro Jansson, who had been told to be there for an afternoon rehearsal, but she found no orchestra.

At 9 pm, she said, the orchestra had still not appeared, and so city officials cancelled the concert and the audience started to leave. She said that a few minutes later the coaches with the orchestra arrived.

Mr. Rutledge said a group of younger players had created trouble all through the tour. "It was mindless; it only made the tour run less smoothly." These musicians would not be allowed to play with the orchestra again.

However, that was strongly denied by the member of the orchestra who complained to The Times. He said there was no deliberate trouble-making; there were simply many things that went wrong.

Although Mr. Rutledge is soon leaving to fulfil conducting engagements in Germany, he said the orchestra would be conducted in his absence by his associate, Mr. Alan Surrie. However, he added: "We do not know when the next concert is, because we are in discussions with the Musicians' Union over one or two problems."

Communist Party congress likely to accept new draft of policy document

By Annabel Perriman

The new draft of the Communist Party's programme, The British Road to Socialism, seems likely to be accepted today, he third day of the party's national congress in London, by an all-party vote.

A motion to refer the draft back to the executive committee on the ground that it departed from "the scientific method" of Marxism-Leninism was defeated, on Saturday by 330 votes to 48. The decision of a significant vote in the 400-delegate conference seems ill-founded.

The document has been the subject of considerable argument since its publication in February. Some members of the party see it as "revisionist" and "social-democratic". In July Mr. Sidney French, the former Surrey district secretary, left with other disaffected members to set up the New Communist Party.

But despite its controversial status and 2,500 proposed amendments before the congress, the document suffered only one change during two days of discussion.

Aspects that have provoked "vehement discussion" in the party's magazine, Comment, are the draft's commitment to a ballot box and to tolerance of all political parties, even those hostile to socialism.

Mr. Gordon McLennan, the party's general secretary, introduced the draft on Saturday, said in loud applause that "political parties become necessary to socialism" and "must be to express contempt for the electoral process and for the people."

Such action could only be based on the assumption that the people cannot be trusted to elect a government and must be protected from themselves by being deprived of the right to choose between "afflicting views."

Another contentious aspect of the document, the fourth version of The British Road to Socialism, first published in 1971, is its proposal to build a broad democratic alliance, including all the popular

larian except the owners of capital.

Mr. McLennan said: "The objective basis for the broad democratic alliance lies in the fact that it is the overwhelming majority of the people who suffer materially and socially, culturally and politically from domination by the monopoly capitalists. It affects not only the working class but also self-employed, professional people, small farmers, traders and manufacturers."

Socialism in Britain was to be established by a series of left-wing Labour governments, aided by an influential and enlarged Communist Party, he said. It was therefore necessary to win the Labour Party over to leftist policies and to wrest it from domination by the right wing in England.

Mr. McLennan dismissed the concept of "Eurocommunism" as neither useful nor accurate. "We warmly welcome the advance of communist, socialist and democratic forces in western Europe and their growing unity, but we independently decide our policy for Britain."

"If it coincides in some important respects with that of other Communist parties in Europe and elsewhere it is because many of the objective conditions they face are similar to ours."

The only amendment carried was a composite resolution supported by the executive, which strengthened the draft's proposed role for the Communist Party in bringing about a socialist state. It emphasised that the party was democratic and based on a developing British Marxist tradition.

It was opposed by Mr. Fergus Nicholson, who said the party should be willing to recruit only people who understood the obligations and discipline of party membership and not those who offered the least resistance.

The reference back of the whole draft was proposed by Mr. Stuart Bloomfield, who said that its emphasis on the independence of the British party

threatened the unity of the world Communist movement. He also said the draft failed to emphasise sufficiently the progress of the Soviet Union.

A motion against the draft's suggestion of a "broad democratic alliance" and proposing instead the formulation of an "anti-monopoly alliance" was decisively defeated, as was a motion against the draft's suggestion that "no one person should be allowed to own more than one newspaper and proposing instead that private ownership of newspapers should be abolished in the transitional period to socialism."

Resolutions were passed, unconnected to the draft, demanding a campaign against racism and fascism, government action on unemployment and an end to "corruption in Northern Ireland". Another expressed solidarity with "the popular struggle in South Africa."

A speech of friendship by Mr. Dimauchand, Kanyar, a member of the Soviet Communist Party's politburo, was greeted with enthusiasm.

The congress is being held at a time of falling party membership and a declining circulation of its newspaper the Morning Star. Mr. Anthony Chater, the newspaper's editor, outlined its difficulties last night. It is £167,000 in debt. Circulation dropped from 30,333 last December to 38,533 in June.

The congress passed an emergency resolution calling on the executive committee to launch a campaign for increased circulation, placing the Morning Star at the centre of the party's activities at every level. Moscow, Nov. 12.—The Soviet Communist Party sent a message to the British party emphasising the importance of solidarity in the world Communist movement. It said the support it received from British Communists was "highly valued."

East Berlin, Nov. 12.—The ruling East German Socialist Unity Party said in a message of greetings that it hoped the congress would contribute to stronger "unity in action" of Britain's working class.—Reuter.

BBC's quiet man takes over 'Panorama'

Kenneth Gosling

There was a time, Charles Healy says, when there was "hefty argument" every day about the content of Panorama, the BBC television programme, which he will be presenting regularly from tonight, having officially taken over the BBC six days after 30 years' service.

Now, however, the climate has changed and Panorama is a controversial. Tonight the programme deals with football hooligans, and the language it will not be edited out except where they are obviously playing to the cameras.

Mr. Wheeler, who had a brief association with the programme as a producer in the 1950s, has since enjoyed a distinguished career as the corporation's chief correspondent in the United States and Europe, having previously acted as correspondent in Asia, Africa, Berlin and Washington. Now he follows David Dimbleby in the Panorama chair.

He rates Dimbleby as in many ways the BBC's best presenter. Mr. Wheeler, in contrast, is a softly, softly interviewer, eschewing inquisitorial techniques for the gentler approach of his new chatterbox at Line. Gave he talked out plans for the current programme.

He will be the first presenter to be a full-time Panorama man, putting up his



Mr. Wheeler: The gentler approach.

own ideas and working with reporters. Another change is that the programme will be taken out of London on occasions, to Northern Ireland, to the regions, sometimes to Europe. That will be easier to accomplish, Mr. Wheeler says, with a presenter working as full-time reporter.

As Panorama will be his full-time occupation for a year in the first instance, Mr. Wheeler regrets that he will not be able to do any radio work. Television is extremely demanding, because apart from all the obvious problems a journalist encounters, there is also "the business of the camera."

It is very rare Mr. Wheeler says, for someone being inter-

viewed before the camera to be completely absorbed in what he is saying, to the extent that he forgets the camera. Mr. Truscott, the Canadian Prime Minister, has that attitude, but politicians generally are either too aware of the effect they are making or unduly suspicious of the questions.

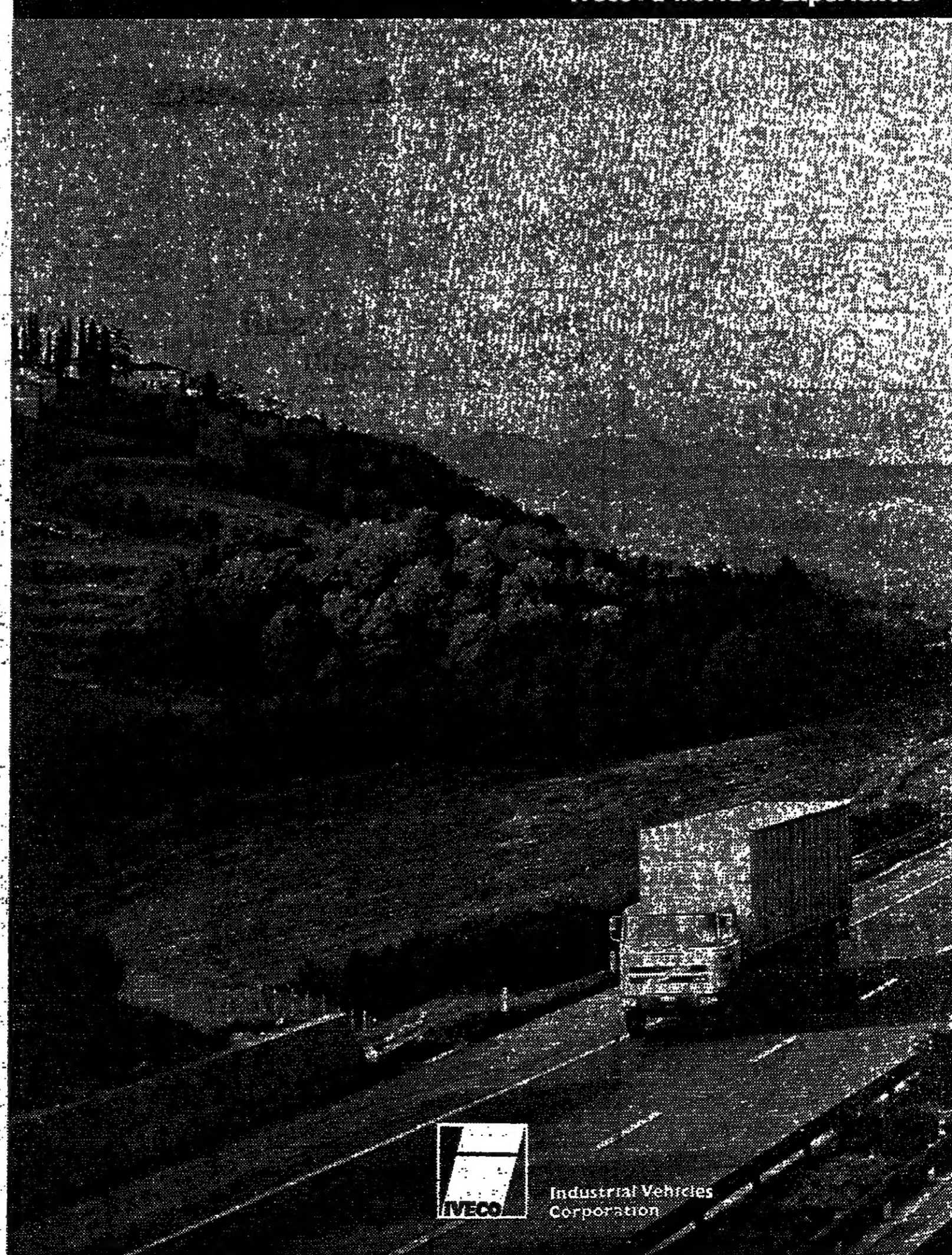
"They get on the defensive and suspect a trap," Mr. Wheeler says. His worst subjects in that respect were Mr. Heath, as Prime Minister, "a most defensive person", and Senator Edward Kennedy. They seemed to assume from the start, he says, that they were being got at.

Most people, though, enjoyed being interviewed by Robin Day. "It is a plus for them," Mr. Wheeler thinks. An interview depended on whether people had interesting information to impart. If they had, the interview was a success. It became hard going only when the subject disputed the journalist's claim to be informed.

Charles Wheeler, the quiet man of television, is 54, is throwing himself into his new job with the enthusiasm and thoroughness which has marked his other endeavours. If he has a regret it is that he has never interviewed Mr. Nixon. "I never saw him interviewed properly on American television. There is the American tendency to treat the President as monarchy—with inordinate respect."

A truck crossing a continent. A van crossing a city. A bus carrying tourists, or workers, or schoolchildren. Vehicles named Fiat. OM. Lancia. Unic. Magirus-Deutz. This is the world of Iveco.

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Industrial Vehicles Corporation

Sixth Baader-Meinhof terrorist commits suicide in German jail

From Gretel Spitzer
Berlin, Nov 13

Ingrid Schubert, a member of the Baader-Meinhof gang, has committed suicide by hanging in her cell in Munich-Stadelheim prison, according to a post-mortem examination.

The examination, conducted last night in the presence of three Munich lawyers, established that there were no indications of outside interference in her death, the Bavarian Ministry of Justice announced today.

Additional toxicological and chemical tests would take some time, a ministry spokesman said.

A possible reason for Frau Schubert's decision to kill herself, in the opinion of some commentators, might have been the arrest of Christoph Wacker-nagel and Gard Schneider, the terrorist suspects, after a gun-fight in Amsterdam last Friday.

Frau Schubert, aged 33, an original member of the Baader-Meinhof gang, was the sixth terrorist to commit suicide.

She stood trial several times. She was sentenced to six years' imprisonment in May 1971, for attempted murder and helping escape from a prison escape.

She was sentenced again in June, 1974, for bank robbery and membership of a criminal gang, this time to 13 years' jail.

She was one of the jailed terrorists whose release was demanded by the attackers of the West German Embassy in Stockholm in April, 1975.

Frau Schubert was first imprisoned in West Berlin, then in Stuttgart-Stadelheim, last August she was moved to Munich's Stadelheim jail.

Bonn, Nov 13.—A Bavarian



Frau Schubert: The rope used was made of torn sheets.

Justice Ministry spokesman said that during her stay in Stadelheim, Frau Schubert was held in cell No 721, where police seized 140g of explosives on Friday and three small explosive containers. The explosives were discovered in a hollow space in the cell's wall.

Shortly after the suicides of Baader, Raspe and Ensslin, the authorities found explosives, razor blades, and an extensive communication network, complete with batteries, cables and electric plug combinations, in their cells.

If she knew about the discovery of the explosives, she must have realized she had no more opportunities for action on behalf of the Baader-Meinhof gang, and would possibly get a longer sentence for possessing the explosives.

But nobody knows what she was thinking, the Bavarian official added.—Reuter and UPI

Weekend of disorders in many Italian cities

From Our Own Correspondent
Rome, Nov 13

Sporadic violence marked the weekend with serious damage done to the Christian Democrat Party's provincial offices in Aquila during the night and an incendiary bottle exploding in a Naples police station.

These incidents took place after another four hours of disorders in Rome yesterday. Further violence was reported from Bologna, Lecce and the outskirts of Turin.

The Rome troubles occurred after the left-wing student movement decided to ignore a ban on demonstrations and protest against the closing of its headquarters by the police.

In all 147 young people were

detained. Most were released later but 19 were kept in custody. The police used tear gas and, according to some reports, firearms. No serious injuries appear to have been inflicted.

A pattern now seems to have been established. The threat of violence is met by a ban on demonstrations. The ban is ignored, and the police use force.

The police are now organized so that a direct clash with the police is avoided because the students and their associates move in small groups rather than in a single large procession.

In this way the protest is made and sufficient violence achieved to draw attention to it without running the risk of incurring overwhelming repression.

Senate again holds up proposed deletion of concept of crime of honour from Italy's penal code

Angry women fight on for dignity

From Peter Nichols
Rome, Nov 13

The Socialists are confidently predicting that an historic change is imminent in relations between men and women as a result of the proposed deletion from the penal code of the concept of crimes of honour and the idea that marriage expires rape.

In a leading article on Friday, the Socialist newspaper *Avanti!* pledged the party to fight on until all anti-feminist vestiges have disappeared from our institutions.

Presumably this broader view of the problem is intended to help feminists get over their disappointment that, once again, the Senate has referred the two proposed changes in the penal code back to the committee.

The Union of Italian Women has sent a delegation to express to representatives of the leading parties their "keen anxiety" about the decision and to voice their intention to devise new methods of struggle in order to bring about as quickly as possible the abrogation of these articles regarded as

offensive to the dignity of women.

The task is proving harder than was expected. The Bill aimed at removing them has already spent a year in committee. Feminists could have had every reason to suppose that, Wednesday, when the Bill reappeared in the Senate, that some decision would have been taken.

The two articles, which the Bill seeks to abrogate, have been thoroughly discredited. The first lays down short sentences in cases in which men faced with unfaithfulness commit murder ostensibly to protect their honour, or that of the family.

The second object of feminism is the provision by which a man who rapes a girl goes unpunished if she agrees later to marry him. The marriage also annuls the guilt of friends who might have helped him in his endeavour.

There was probably an intention when this article was originally drawn up to help to bribe about a reconciliation in cases in which masculine ardour got the better of a young man's self-control. But it soon became the recognized legal instrument in much of southern Italy by which a man could force a girl to marry him.

The slogan which the feminists used in their protest demonstration outside Parliament during the debate summed up the practical effect of both articles: "If you rape me you can marry me; if I am unfaithful to you, you can kill me."

Opposition to the abrogation of the articles is said to have been strong among the governing Christian Democrats. Commentators have, however, suggested that the politicians are simply reflecting public opinion in their cautious approach.

Even the Socialists sound a little behind the times, with their editorializing about "the good" and "the evil" of the law. It can hardly be argued any more that physical violence is acceptable as a basis for relations between the sexes.

Popularity of French leftists drops

From Charles Hargrove
Paris, Nov 13

The breach between the French Socialists and Communists, which took a turn for the worse last week, has been told on the popularity of their leaders, according to an opinion poll carried out at the beginning of this month by the IFOR, and published today by the *Journal du Dimanche*.

But this does not imply any corresponding increase in the standing of the Government majority leaders, with the exception of President Pompidou, who is increasingly regarded as the one stable element in a very fluid political situation and whose refusal to regard France as divided between two blocs has been proved right by the breakdown of the Union of the Left.

The poll shows also that French public opinion is confused and that "don't know" has never been higher.

M. Georges Marchais, the Communist leader, has according to the poll lost seven points on his score of last September before the breach with the Socialists, and is now down to 34 per cent.

Mr. Pompidou, the President, has lost five points to 62 per cent, while M. Jacques Chirac, the Gaullist leader and Mayor of Paris, has cashed in on the disillusionment of many voters of the right. The poll confirms indications that he has lost ground in public opinion. He is three points down at 47.

But M. Chaban Delmas, the former Prime Minister and President Pompidou's close ally, is close on M. Chirac's heels.

Britain heads for fish catch 'showdown'

From Michael Horvitz
Copenhagen, Nov 13

A head-on confrontation is developing between Britain and most of its EEC partners, led most passionately by the West Germans, who are insisting that the fish caught within 200 miles of the coasts of EEC states should be recognized as a shared Community resource.

Britain claims national ownership of the fish stocks in its waters, which account for about 60 per cent of the EEC total.

If no compromise emerges at a special fisheries council meeting early next month, the British could find themselves with a choice between accepting the European Commission's proposal to share the fish stocks, or else defiantly declaring national control over their 200-mile zone and reserving large areas of it exclusively or predominantly for British fishermen.

The West Germans, backed by the French, the Dutch, the Danes and the Belgians, are openly seeking what one senior EEC official describes as a "showdown" with Britain, which has long been accused of pursuing an increasingly nationalistic line.

The conflict is seen as potentially the most serious since the collection of the Nine since Britain joined the Community.

Britain's opponents are able to apply pressure because of the impact of the new fisheries treaty on the EEC. This was concluded by the Nine in October, 1976, as a stop-gap measure pending the revision of the EEC's common fisheries policy to take account of the general extension to 200-mile limits. But no revision has yet

been agreed which meets British (or Irish) requirements. Under the Hague agreement, member states may, after consulting the Commission, impose unilateral controls on fishing in their waters in the interests of conservation, provided that such measures are temporary and apply equally to all EEC fishermen, and provided also that an attempt is made to secure the support of other Community governments.

Among other things, this has enabled Britain to budge on her EEC obligation to accept a ban on herring fishing in the North Sea. The British simply threatened that if their partners did not agree to such a ban they would impose it themselves.

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Mr Smith refuses to disband Rhodesia's white security forces

From Frederick Cleary
Salisbury, Nov 13

Mr Ian Smith, the Rhodesian Prime Minister, made clear at the weekend that he would not agree to any suggestion by Field Marshal Lord Carver, the President's Commissioner-designate, to break up the present Rhodesian security forces.

He told the *Sunday Mail*: "Until we have peace, I would never be a party to any plan which would lead to their disbandment and thus a reduction in our security capability."

Confirming that Lord Carver had suggested that virtually every white unit of the Rhodesian forces be disbanded, with the exception of the air force but including the territorial forces, and the Rhodesian African Rifles being converted to barracks, Mr Smith said he told the British envoy in no uncertain terms last week that this was "just not on."

To disband the forces of law and order would be tantamount to a coup, he said. He agreed with his military leaders who said such an act would amount to a total surrender.

Mr Smith repeated that any attempt to achieve a ceasefire before a political solution in Rhodesia was putting the cart before the horse and was therefore quite impracticable.

He added that Rhodesia's gap in our thinking (between himself and Lord Carver) on the question of the security forces is so wide that much more space would need to be found in order to close this gap before there will be any hope of reaching agreement.

He pointed out that whereas the Anglo-American consult-

five team, as well as General Prem Chand, the United Nations representative, spent a total of seven days talking in Rhodesia including their time with the nationalists—the Patriotic Front gave Lord Carver and his team only one and a quarter hours.

The Prime Minister denied a claim by the African nationalist leader, the Rev. Ndabaningi Sithole, that he had paid three more visits to Lusaka to see President Kaunda since his last publicized visit on September 25.

Meanwhile, Mr Hilary Squires, the Minister of Justice and of Law and Order, has refused a claim by Mr Sithole that he leads a guerrilla group in Rhodesia.

Mr Squires said Mr Sithole's claim that he led the Zimbabwe African National Union and was a guerrilla leader should be regarded as extravagant self-promotion to impress the public.

He warned Mr Sithole that such claims were also contrary to the undertaking he gave the Rhodesian Government when he asked to return to the country last year, namely, that he renounced terrorism.

The Minister said that "mutters" would now be set in train to clear up such questions one way or the other when Mr Sithole returns to Rhodesia this week. This is being interpreted as a warning to Mr Sithole to restate his disavowal of terrorism or face the consequences.

If he refuses to do so he could be detained again at a time when Mr Smith might well be attempting to reach an internal settlement with African nationalists.

Algiers talks continue on Polisario hostages

Algiers, Nov 13.—M Claude Chayet, the French special envoy, continued a second round of talks here today with two officials of the Polisario Front, believed to be holding eight French nationals who disappeared in Mauritania as hostages in the Western Sahara dispute.

Mr Hosni Mubarak, the Egyptian Vice-President, left Algiers today for Nouakchott, the Mauritania capital, to continue his conflict resolution mission.

Sources said he had presented Algerian officials with an Egyptian proposal to set up an Arab "committee of wise men" to try to solve the current conflict.

Mr Salemould Sulek, Information Minister in the Saharan Government proclaimed by the Polisario Front, said here yesterday that King Hassan of Morocco was "playing his last card" by threatening Algeria "after the military and diplomatic failure of Morocco and Mauritania" in the Western Sahara.—Agence France-Press.

Black mayor in New Orleans

New Orleans, Nov 13.—New Orleans voters have elected Judge Ernest Morial, aged 45, to be the first black mayor in the city's history by a vote of 89,235 to 84,382.

Blacks comprise only 43 per cent of the city's registered voters. Mr Morial apparently combined 95 per cent of the black vote with about 23 per cent of the white vote.—Reuter.

Inquest into Biko death opens today

From Our Own Correspondent
Johannesburg, Nov 13

The inquest into the death of Mr Steve Biko, the Black Consciousness leader who died in police detention in September, may last for at least three weeks, legal sources said today. It is possible that a ruling may not be made until the new year.

The inquest opens in Pretoria tomorrow. Instead of being held at a magistrate's court, the hearing will be in the Old Synagogue, a place chosen for its symbolic value as a meeting place for many foreign journalists and diplomats expected to attend.

It will be presided over by Mr M. J. Prins, Chief Magistrate of the Pretoria District. The inquest will be held in the Old Synagogue, a place chosen for its symbolic value as a meeting place for many foreign journalists and diplomats expected to attend.

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General Zia extends power of preventive detention

From Hassan Akhtar
Islamabad, November 13

General Zia-ul-Haq, the chief martial law administrator, has extended the power of preventive detention for an indefinite period. He has also extended the power of preventive detention for an indefinite period.

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ALISTAIR COOKE SIX MEN

Alistair Cooke will be signing copies of his new book in

Cambridge

Thursday 17 November, 12.30pm-1.30pm at Heffers, 20 Trinity Street, Cambridge (orders taken by telephone 0223 58351)

Harrods

Friday 18 November, 11.00am-12.30pm at Harrods (Book Dept), 2nd Floor, London (orders taken by telephone 01-730 1234)

Oxford

Friday 25 November, 12.30pm-1.30pm at Blackwells, Broad Street, Oxford (orders taken by telephone 0865 49111)

BODLEY HEAD

OVERSEAS

PLO accepts US-Soviet formula for conference if considered as document of Security Council

From Our Correspondent
Tel Aviv, Nov 13

The Palestine Liberation Organization (PLO) announced today that it accepts last month's Soviet-American statement on the Middle East as the basis for a renewed Geneva peace conference, provided it is considered as a document of the Security Council.

On that basis the organization said it would agree to the participation of (unnamed) representatives of the Palestinian people as part of "the Arab delegation". In other words the PLO has now explicitly accepted that there would be only one Arab delegation at the conference.

The announcement came in a statement read by Mr. Said al-Husseini, a senior member of the PLO political department, to journalists covering the conference of Arab foreign ministers here. It clearly represents an attempt by the PLO leadership to escape from the deadlock in which it has been caught since its central council refused to endorse Security Council Resolution 242 at a meeting in Damascus last August.

The PLO leaders make no attempt of their determination that Palestine should be represented in any renewed peace conference, and that the Palestinian delegates should be chosen by the PLO as the sole legitimate representative of the Palestinian people—a status which is recognized by all Arab states, notably Syria.

Their difficulty has been that resolutions passed by the Palestine National Council, also in 1974, forbade the PLO to participate in any conference convened on the basis of Resolution 242, which ignores the Palestinian national problem and refers only to "the refugee problem". The Geneva conference was convened in 1975 on the basis of Resolutions 242 and 338, (the latter calling for direct negotiations between the parties). Neither mentioned the Palestinians or their national right.

The Soviet-American joint statement, published on October 1 this year, was the first occasion on which the American Government had officially referred to the "legitimate rights" of the "Palestinian people". Previous American statements had referred only to "Palestinian" "legitimate interests".

The Israeli Government rejected the Soviet-American statement because of this, and because it contained no reference to Resolution 242—although it did confirm the main provisions of that resolution, including the right of all states in the area to exist within secure and defensible borders, and, like Resolution 242, it referred to direct negotiations "from territories" rather than "from the territories" occupied in 1967. For this reason it was unavailing, rejected by some Arab states, notably Syria.

In accepting the statement,

therefore, even as a "minimum basis" for negotiation, the PLO is making what it undoubtedly intends as a gesture of moderation. But this gesture will certainly not be accepted as such by Israel, and it is very doubtful whether the United States can accept it either.

In insisting that the American-Soviet statement "be considered as a resolution of the Security Council", the PLO is clearly trying to have it accepted as a substitute for Resolution 242, which was clearly not the American intention.

The timing of the PLO statement may be related to the meeting between President Assad of Syria and President Sadat of Egypt, which is to take place in Damascus on Wednesday. The personal fear of the Palestinians is that Egypt and Syria might agree on a settlement with Israel from which they would be excluded. Anxiety not to give any pretext for this is the main motive for the PLO's present moderation.

While welcoming the meeting of the two presidents, as "a source of strength to the Arabs", today's statement seeks to present the PLO chairman, Mr. Yasser Arafat, as a natural third party to their discussions.

Mr. Sadat's suggestion that the Palestinians might be represented at Geneva by "an American professor of Palestinian origin" was clearly the result of conversations he had had with Mr. Arafat last week.



Archbishop Chrysostomos in his ceremonial robes yesterday.

New Archbishop of Cyprus enthroned

Nicosia, Nov 13.—Bishop Chrysostomos was enthroned as Orthodox Archbishop of Cyprus in succession to Archbishop Makarios at a ceremony in Saint John's Cathedral here.

The new Archbishop, who was elected yesterday, said in a speech during the service that the church of Cyprus will

never accept the legalization of unjust foreign occupation and will not renounce the legitimate rights of the Cypriot people.

He said he would follow in his predecessor's footsteps, and the church would "continue its mission through close cooperation with the legal government of Cyprus until the nation's

problem is resolved in a fair and permanent way".

Archbishop Makarios, who was also the island's President, died of a heart attack on August 3 this year. Today's service was attended by President Kyprianou, his successor, and ministers and diplomats. Agence France-Press.

Telephone tapping soon legal in New Zealand despite wide opposition

From Our Correspondent
Wellington, Nov 13

After heated public debate and unprecedented scenes in Parliament, legislation authorizing the security service to tap telephones and intercept mail is about to become law.

The Security Intelligence Service Amendment Bill awaits only the Governor-General's assent which is expected this week.

Since its introduction in Parliament two months ago, the Bill has provoked strong response, manifested in street processions, television confrontations, skirmishes in the public galleries of the House of Representatives and several arrests.

One of the most articulate critics of the Bill, as it was originally framed, was Mr. Michael Almondo, from the Government's back benches. Defending the measure, the government spokesman said it is necessary to fortify freedom; its critics argue that personal freedom will itself be unnecessarily threatened.

The rejoinder from Mr. Robert Muldoon, the Prime Minister, is that the protests have been orchestrated by people who believe they could be targets for investigation.

He maintains the Bill possesses adequate safeguards. For instance, the minister in charge of the service—whom happens to be the Prime Minister—is required to report to Parliament annually on the number (though not the details) of interception warrants issued. Mr. Muldoon

said he believes these will amount to no more than perhaps one or two a year.

Some changes have been made to the Bill during its passage in the House. Terrorism is now given more specific definition and the security service is precluded from the surveillance of "people merely because of their involvement in lawful protest."

Despite these modifications, the Labour opposition maintains that the Bill is defective by failing to provide redress against the issue of warrants, no matter how much unfair damage has been done to reputations.

The Opposition's principal complaint, however, is over the fitness of the present Prime Minister to issue warrants. Mr. Wallace Rowling, the leader of the Opposition, argued in Parliament that the procedure was dangerous in the hands of Mr. Muldoon who, he recalled, had previously used information of a highly confidential nature for political purposes.

Sydney, Nov 13.—Australia's domestic intelligence agency, recently branded as "bumbling" by a government inquiry, began advertising this weekend for a new breed of recruits qualified to make good professional spies.

An advertisement placed in the main newspapers by the Australian Security Intelligence Organisation, looks applicants "with work experience, stability, maturity, discretion and objectivity," and a university degree, preferably in the social sciences.—Reuter.

Prisoners of conscience



Morocco: Abdellah Zazaa

By David Watts
During the early 1970s there was a substantial movement for the establishment of a socialist republic in Morocco. Among its leaders was Mr. Abdellah Zazaa. The Frontiste movement, as it was called, developed mainly in educational institutions, where it gained control of the leading student unions, but also sought to involve the working classes and trade union movement, currently affected by the inequality of wealth and high unemployment in Morocco.

Mr. Zazaa was involved in the working-class sector and was held in the first widespread series of arrests of members of the movement in November, 1974. About 200 Frontistes and sympathizers were detained and held incommunicado in police detention centres, their whereabouts unknown to their families.

It was not until January, 1975, that Mr. Zazaa and 24 other Frontiste leaders were brought before an examining magistrate and transferred to Casablanca prison. During their prolonged secret detention there were many reports that the Frontistes were undergoing torture. The reports were later substantiated by a French doctor who visited Casablanca prison.

When they were finally brought to trial at the beginning of this year the Frontistes tried to make statements about the torture but were prevented from doing so by the court. In response, Mr. Zazaa pulled off one of his shoes to reveal a foot mutilated by torture.

Mr. Zazaa and 178 colleagues were charged with forming an illegal association aimed at overthrowing the Government. No evidence of violent intent was produced. The prosecution argued, however, that in advocating a socialist republic they had been plotting the overthrow of King Hassan's Government. The defendants and their lawyers were treated with hostility by the court and prevented from presenting their cases properly. The sentences were given by Moroccan standards, says Mr. Zazaa, was among 44 killed for life.

Candle may have caused explosion

Seoul, Nov 13.—A guard's candle in a railway wagon loaded with dynamite may have caused the huge explosion which killed 36 South Koreans on Friday night and left more than 10,000 homeless, investigators said today.

A spokesman said the guard had confessed to negligence although the man leading the investigation was reluctant to accept his testimony. The guard told investigators that he had been drinking heavily because he was angry with officials at the railway station in In, 120 miles south of Seoul, for detaining his wagon while the rest of the train was allowed to leave.

He said he awoke to discover that his feather-bedded sleeping bag had caught fire from his candle, and he fled shouting "fire".

A few minutes later the explosion of 30 tons of dynamite injured 1,348 people and caused damage to property estimated at \$200 million. Nearly 9,500 buildings and 70 railway wagons were destroyed. About 71 per cent of the houses in the town of 120,000 people suffered damage.—AP and UPI.

Protesters free San Salvador ministry hostages

San Salvador, Nov 13.—Demonstrators who had been holding 86 people hostage at gunpoint for three days in El Salvador's Ministry of Labour left the building peacefully yesterday under Red Cross escort.

Spokesmen for the 1,500 workers who seized the building on Thursday said they decided to free the hostages, including the Ministers of Economy and Labour, after officials had signed documents agreeing to study their demands for wage increases for farm and textile workers.—AP.

Helicopters save 125 from ferry

Kyrenia, Cyprus, Nov 13.—Four Royal Air Force helicopters winched 125 passengers and crew to safety from the deck of a Turkish ferry buffeted by a gale yesterday off the harbour wall of Kyrenia.

The engine of the ferry, the 150-ton Erturk 1, had broken down and there were fears the ship would be dashed against the wall. It took the helicopters three hours to lift all 125 people to shore.—Reuter.

Queensland poll setback for Mr Fraser's prospects

From Our Correspondent
Melbourne, Nov 13

Although yesterday's state election in Queensland is not directly relevant to the coming federal election on December 10, the result can be interpreted as another damaging blow to Mr. Fraser's ruling Liberal and National Country Party coalition in Canberra.

After 50 per cent of votes were counted the Queensland coalition had 51 seats and the Labour Party 21 seats, with 10 seats still to be decided. Counting resumes tomorrow.

The National Party-Liberal Party coalition in Brisbane is therefore still safe but likely to lose many seats. This could all be a result of such incidents as Mr. Johannes Bjelke-Petersen, the Premier, banning protest marches without permits, or his threats to outback electorates that unless Government assistance to their districts could be abandoned. Nevertheless, it was generally thought before the Queensland

election that if there was a swing to Labour of about 10 per cent it would be a significant indication for the federal election. At this stage it appears that the swing to Labour has been 9 per cent.

Again, the Australian Democrats, the new centre party, polled at least 10 per cent of the vote even though they fielded candidates in only 12 seats.

Last weekend, the Democrats dealt a heavy blow to the Liberals by capturing 17 per cent of the vote in a Victorian by-election and then giving most of their preferences to Labour.

Although the campaign for the federal elections has not officially started nothing has yet gone well for the Liberals since it was announced. Higher unemployment figures and the two minor elections have all been damaging, but reaction against the Liberals has not yet reached a stage where they can be considered to be losing the race.



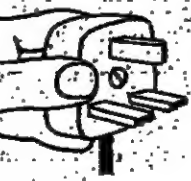
4 simple ways to reduce fire risk

While normal fire services are unavailable, it is important for everyone to take sensible fire precautions, and know what to do if fire breaks out.



Don't leave children alone...

where heating or cooking appliances are in use, and keep matches out of reach.



Check the house at bedtime...

Before going to bed, switch off such things as TV sets, radios and portable electric heaters, and pull out the plugs. Check ashtrays for burning cigarettes or pipes. Close all doors.



Check heaters...

especially portable ones, making sure they can't be knocked over and are away from furniture or furnishings.



Watch chip pans...

making sure that they are not overfull, and don't leave them without turning down the heat. If a pan catches fire, turn off the heat, smother the flames with a lid or damp cloth and leave for half an hour.

What to do if it happens

- * If a fire breaks out, get everybody out and alert neighbours.
- * See if you can tackle the fire yourself—be prepared by having buckets of water handy or your garden hose attached to a water supply. Do not try to extinguish electrical or fat fires with water. Above all, don't risk your life.
- * If things look like getting out of hand, dial 999 and ask for assistance.



At work

- Check fire procedure, and see that everyone else does.
- Patrol the premises regularly, especially before closing.
- If possible, isolate electricity and gas supplies. Otherwise, pull out unnecessary plugs and see that no combustible material is left close to a heater.
- Keep fire doors closed. See escape routes are clear and that signs are visible.
- Check fire-fighting equipment and see that personnel know how to use it.
- If you call the emergency service, be at the entrance to guide the crew and explain the position of fire hydrants.

Business takes off as world economy improves

by Arthur Reed

This year is likely to be remembered in the world air-line industry as the moment when air cargo revived after the setbacks it received following the oil crisis of 1973 and the economic slump which resulted.

Preliminary estimates indicate that there will be a growth of 18.7 per cent over 1976, with a total of 23,000 million ton/kilometres being recorded. The growth figure for 1976 over 1975 was 13 per cent and that for the two preceding years even lower.

From these figures it is apparent that the outlook for the air freight sector of the industry is improving rapidly as the nations begin to overcome inflation.

The encouraging trend is borne out by a survey by the International Air Transport Association (IATA), whose director general, Mr. Knut Hammarström, described 1976 as an encouraging year for air freight after a "traumatic year" in 1975, with almost no growth for the first time since the end of the Second World War.

The IATA survey said that international freight traffic could be expected to increase to an average annual rate of 11.6 per cent in 1981. In 1978 it will be 11.7 per cent, in 1979 10.8 per cent, in 1980 11.3 per cent and in 1981 11.1 per cent.

Traffic on the South Pacific and the Europe-Middle East routes can be expected to grow at the highest annual rates throughout this period—at 18 per cent and 15 per cent respectively. Traffic increases on the established European and North Atlantic routes are put at 8 and 9 per cent respectively.

Many of the big cargo-carrying airlines are expressing optimism about their 1977 performance as the year nears its end. Aer-

Lingus, for instance, expect a 10 per cent increase in traffic over 1976. Air Inter a 13.4 per cent rise, Alitalia 17.5 per cent, British Caledonian 14 per cent, Cathay Pacific 43 per cent, Pakistan International 20 per cent, and UTA 18 per cent.

This upsurge in business among the mainly IATA airlines has come in spite of the increasing impact which is being made on the market by the independent all-cargo carriers. There are signs, however, that these independents will make serious inroads in the future on the traditional trade of the IATA airlines, untrammelled as they are by the weight of rules and regulations which surround the airlines which are members of that body.

Referring to the independents, Mr. Hammarström made the point that they were permitted to exploit almost all segments of the market under the guise of bulk carriage, with little or no price regulation.

"If the freight business is not to suffer the same deterioration as the passenger business, steps must be taken now to encompass all commercial freight operations within the regulatory framework," he said.

One of the main objectives of IATA is to simplify the highly complicated tariffs and make them more attractive to existing and potential shippers. But there is deep disagreement among some IATA members over the way such simplification should go.

As was shown when British Airways tried to introduce new North Atlantic rates, British Airways, which was eventually successful, ran up against pettifoggery bureaucracy of the most infuriating kind over contract and commodity rates, and the board was backed on this occasion by some of the big American airlines which did not want to see the British rates introduced.

Although the airlines have almost ended the price undercutting which was rife on the important North Atlantic routes recently, they are still offering far too

much capacity. Few of them can be making any real profits from freight.

But if world economic trends continue to be buoyant, even these routes should become profitable before long, and the all-cargo jumbo, which with a few exceptions has not yet paid its way, will come into its own. At the same time surface transport is moving into the rising markets with door-to-door containerized low-cost and container ships shortening delivery times, by days and, in some cases, weeks.

A further assault on the business of the major airlines is being mounted by jet air-taxi and commuter services which are prepared to fly small freight loads over a business which has been neglected since the IATA carriers contracted their services with the airlines.

The North Atlantic route, which has been over-capacity, and air freight in Europe shows little sign of growth, but there is other areas of the world where air freight is prospering. This is particularly the case in the Middle East and in East and West Africa where there is an urgent and largely unassisted demand for western consumer goods.

Goods pour in to the airports of the Middle East, and particularly the airports of the Gulf states—ice-cream from India, meat from Australia, "brand-named" buildings from Britain, electronics from the United States and Japan.

But the very weight of such traffic has tended to produce problems on the ground where systems in countries which are only just beginning to develop are unable to cope. This has led in many cases to lengthy delays while customs clearance is carried out, or, worse, to the loss of goods.

Airlines are being urged to look upon their freight business as not airport-to-airport, but rather door-to-door.

Mr. Healy, executive vice-president of the American all-cargo Flying Tiger Line, said at an IATA committee during the year that the air cargo business had been criticized as not important, be-

AIR FREIGHT

a Special Report



cause it hauled less than 1 per cent of the world's commerce. But as a well-established business the airlines carried 25 per cent of the world's commerce.

The job of IATA, Mr. Healy said, was to reduce the "wall time" of goods at airports to no more than six hours from aircraft arrival, and to simplify and standardize international trade documentation.

The air transport industry has in fact made reasonable progress with a scheme to introduce joint air freight pallets and containers. It is estimated that the industry has invested about £25m in these devices, and that they are interchanged by routine between 25 IATA and non-IATA airlines.

Airlines are also working closely together to obtain better conditions of carriage for livestock and safer con-

ditions for hazardous materials, such as chemicals. IATA is pressing governments to recognize and introduce its live animal regulations as the minimum requirement for the acceptance and safe carriage of livestock on both scheduled and non-scheduled flights.

The association also wants educational and training programmes to be set up for all those workers involved with such shipments.

The air freight industry is grappling with a multitude of difficulties but the real key to its future must be the state of the world economy.

There are strong hopes that the airlines may be coming to the end of the period of turbulence which has made life so uncomfortable for them in recent years.

The author is Air Correspondent, The Times.

IATA rule-book impedes the innovators

Air freight rates for most of the international airlines were established for the next two years from October 1 after a conference of the International Air Transport Association (IATA) in May.

There were minor increases to the tariff and opinion in the industry is that a reasonably stable period should result from the changes.

In one important area, the north Atlantic, there was no agreement, however, and many airlines now believe that in the absence of any further IATA innovation they themselves will introduce reforms in rates and services on a bilateral basis.

Such a trend has already begun as a result of a British Airways initiative to introduce bulk commodity and contract rates on the blue ribbon route.

The commodity rates have been accepted and British Airways hopes that the contract rates will operate from January 6 after enthusiastic acceptance of them by President Carter.

BA believes that its new rates, pushed through against strong opposition by both the United States Civil Aeronautics Board and some American airlines, should provide a greatly needed stimulus to cargo traffic on the north Atlantic.

The British airline proposed its new tariff as a way of reducing the immense over-capacity which there is on the Atlantic routes. A survey showed that some 39,000 tons of air freight are crossing the Atlantic each year, compared for by four big airlines, three of them American. British Airways on its own has 45,000 tons of cargo space on offer on the routes.

Undercutting has been all but stamped out through agreement between the airlines, although it does still exist to some extent in other parts of the world, notably the Far East.

According to Mr. David Colman, head of cargo marketing for British Airways, there are two areas where the rating system needs fundamental alteration.

"We are putting development back into the market

if the airlines are to remain competitive with surface transport. One is the north Atlantic, the other Europe.

Cargo tariffs in Europe have not taken account of the great political, industrial and business changes that there have been on the Continent over the past few years, he said. Before the emergence of the EEC, the most trade was in the finished goods which countries sent to each other.

Today, with frontiers relaxed and the establishment of the multi-national company, the traffic is much more in "semi-finished" masses of parts being sent from various countries for assembly in another.

A further problem with which the airlines have not yet successfully grappled is the arrival of the heavy, long-distance TIR (Transport International Routier) lorries and their containers which agents are often able to offer to shippers over-night delivery between London and a whole range of European cities—a schedule as good as that operated by the airlines.

As the organization of British Airways cargo is reshaped, Mr. Colman and his colleagues will be looking closely at ways in which they can capture a better share of the multi-modal traffic in Europe. One suggestion is that products could be sent by road to a central depot for forwarding in bulk by air.

The new rates which they have been able to introduce on the north Atlantic have had an immediate beneficial effect, Mr. Colman said—not only on British Airways' own traffic, but on the entire British-American freight-carrying market.

"They are all getting more business, and they are ironing out the peaks and the troughs. The rates are resulting in the better use of our services into the American provinces, instead of everything going into the overcrowded main New York airport as in the past. And we are getting genuine market development from surface to air."

"We are putting development back into the market

place where the market has been totally stagnant for the past two years," he went on. "To do on the north Atlantic what they have always done in Europe—simply put up the rates—would be blind."

Mr. Colman said that through their innovative tariffs and other new ideas, British Airways could be market leaders in world air freight within the next 18 months. "As long as we can respond quickly to what world markets require, we will go places. But like all the other IATA airlines, we are hampered by rules which the younger children in the business—the independent all-cargo airlines—do not have."

"But the scheduled airlines are now becoming more aggressive, and as we respond more to what the market wants you will find the boom which is being enjoyed by the split charters flattening out."

Mr. Knut Hammarström, director general of IATA, is of the opinion that the pricing structure for air freight needs complete reconsideration to provide for profitable long-term operations.

He said: "Increasingly there is recognition that marginal pricing concepts for air freight based on belly-hold services are no longer a practical basis for the tariff structure. Pricing must reflect the operation of all-cargo services."

"The complex and unwieldy structure of specific commodity rates needs significant rationalization. While introduced as development rates, in many cases they have become accepted as basic elements in the overall structure, despite the fact that the levels of these rates are often non-compensatory."

"Increasingly, there are calls from within the industry and government regulatory agencies for this rate structure to be simplified through the greater reliance on general commodity rates. This could be examined by the industry as a matter of some urgency."

A. R.

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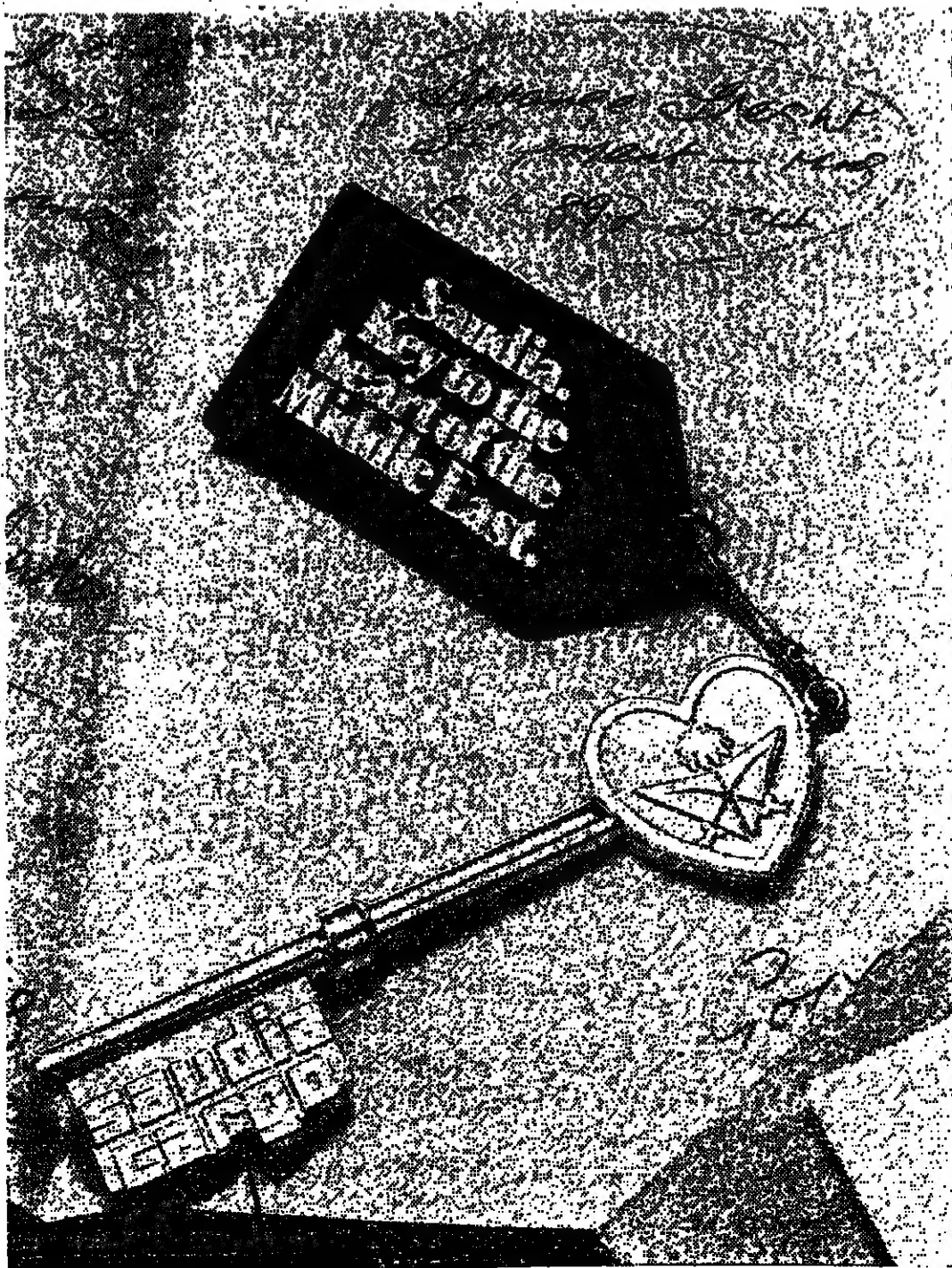
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On this and the facing page Arthur Reed writes about the economics and other factors of the industry

Cargo sector benefits from inflation

From being a "fill-up" traffic for the belly holds of passenger aircraft, air freight has recently become of immense economic importance for the airline industry.

British Caledonian Airways, for instance, produced about 28 per cent of its overall revenue of £120m last year from this sector, and Mr Ian Ritchie, one of the senior directors, expects this to increase.

The airline's 707 freighter aircraft leave Gatwick almost every day with up to 40 tons of freight for destinations all over the world, but largely for East and West Africa.

The McDonnell Douglas DC10 airbus in which the airline has invested will have an underfloor cargo capacity of 16 tons on long-haul routes, even when the aircraft are carrying a full load of 300 passengers.

At the same time, British Caledonian is quadrupling its ground-handling cargo space at Gatwick by moving into the freight centre which has been built on the airport by the British Airports Authority.

According to Mr Ritchie, two big international events in the past 25 years have influenced the trend among shippers towards air freight, so increasing its import-

ance for the airlines as a revenue-producer.

These were the closure of the Suez Canal, which brought to the airlines for the first time many high-value products which had traditionally been sent by ship, and the demand by the emergent African nations for a wide range of goods.

This demand caused jams in the seaports which were not designed to handle such a volume of traffic. This in turn led to many goods being shipped by air, to such an extent that the burgeoning economies of some of the African states are now heavily dependent on air cargo.

Mr Ritchie believes that

the recession in world airline business was largely on the passenger side, and that the cargo sector had actually benefited from inflation and higher costs around the world.

This was because the very speed with which goods could be moved about the world by air cargo meant that business money was not locked up for so long as high rates of interest, while the frequency of services resulted in a steady flow of goods on to the shelves at the selling points, so keeping a regular market presence at a time when competition for orders had become extremely fierce.

British Caledonian expects

to carry about 57,000 tons of air freight this year, compared with 49,000 tons last year. As the extra space that will be offered by the DC10s becomes appreciated by shippers and their agents it is expected that the figures will show a steady rise during the next few years.

Like British Caledonian, Lufthansa, the West German airline, is another for which air cargo has become of increasing economic importance in recent years. The airline carried about 310,000 tons last year, which was an increase of 20 per cent over the previous year when there was a drop of 3 per cent on 1975.

Cargo has produced for

Lufthansa about 20 per cent of its total earnings during the past few years. Twenty years ago the contribution made by cargo was only 6 per cent. This year, Lufthansa is forecasting an increase of 5.7 per cent in the rate of its cargo-carrying growth.

Like British Caledonian, Lufthansa is also finding it necessary to move into new and enlarged cargo premises to cope with the increasing importance of this side of the business. When opened in 1980, the Lufthansa centre will be the largest of its kind in the world, it is claimed, and will have an initial freight handling capacity of 450,000 tons a year.

The design is such that additional capacity can be added if needed.

The centre will have a new system for handling pallets and containers. These have the advantage of being able to transport packages of widely differing proportions, which create side-loading 707s, DC8s and Boeing 727s.

Sixty-six points for pallet building and dismounting and for containerization are to be provided in three zones in the main freight hall. Experience gained from Lufthansa's operation at its freight centres at Frankfurt, London and New York will be built into the new Frankfurt centre. At London, the

new centre to separate incoming and outgoing cargo. A turntable at each level will provide a distribution point to, and from three aircraft docks 25% to take either nose-loading Boeing 747F jumbo freighters, or side-loading 707s, DC8s and Boeing 727s.

The terminal is semi-automated, with most of the automatic equipment concerned with loading and unloading pallets for the 23 weekly palletized freight flights. The positioning of the "igloo" pallets—a 727 freighter can carry up to eight in a single flight—is carried out by a powerful transfer crane which is operated by punch cards.

Containerization grows in importance

The freight side of the world air transport industry is now beginning to get the ground-handling side of its business right, rectifying the serious errors which were made in this sector a few years ago.

When air cargo began to blossom as a business in the late 1960s most of the big airlines placed orders for millions of pounds worth of highly specialized automated equipment which, when installed, failed to match up to the tasks which it was asked to perform.

As a result, shippers were delayed for days and weeks, and sometimes even lost forever, so that the airlines, and air freight in general, took on a bad name among shippers, from which they are only now recovering.

A lot of this automatic equipment has now been taken out by the airlines, often at as great a cost as it took to install it in the first place. Learning from their mistakes, the airlines are now leaning heavily towards semi-automated handling equipment, while leaving the computers to handle their freight paper work and international communications networks.

In planning ahead, the airlines and their architects need to have the services of a crystal ball to discover exactly how the freight bills of the future ought to be designed. Will all-freight jumbos carrying loads of up to 80 tons of mixed cargo at a time, emerging through

nose-opening doors, narrow-bodied freighters with side-opening doors, or passenger aircraft with underfloor belly holds be the general rule during the 1980s, 1990s and beyond?

Nobody yet knows, and the new freight facilities which are springing up all round the world are backing all of these options—a procedure which will obviously be seen as wasteful in the future.

On one thing every planner is agreed, however, and that is that containerization in air cargo will continue to gain in importance.

Containers in lengths of up to 40ft are appearing more and more frequently at international airports, and the handling of these on airport aprons is a big more and more that at the very modern seaports, with very sophisticated equipment and only a few human beings involved.

The growth recently in container traffic is illustrated by the fact that more of the major airports were handling up to 100,000 containers a week in 1976 compared with only 70 or so in the previous year. Most of these containers are packed off-ports, usually at a freight forwarder's facility.

Other advantages are that it is remarkably quiet in operation and also very safe. Braking belts and "magic eyes" ensure that a heavy package does not run into and crush a light one on the conveyor in front of it. Through a combination of automated handling and

human muscle power, the aircraft at the same time, a total which could include at least two 747 jumbo freighters, and a mixture of medium and small jets, from DC8s to Boeings 737s.

But while some of these aircraft will have containers in their holds, the bulk of air freight still travels in individual lots—although being pushed back to such an extent that, literally, last-minute items can be accepted for outward-bound services.

Good communications between the various bases of each airline, and between the airline and its shippers, agents and forwarders, and the customs authorities at each airport, are vital for quick dispatch and clearance. In this latter respect, further systems such as the computer-based LACES (London Airport Cargo Electronic Data Processing Scheme), which informs all those interested at Heathrow Airport of the progress of shipments, would be welcome world-wide.

Airlines are also investing millions of pounds in the specialized vehicles which can speed efficient freight handling, the belly container transporters, the pallet-lift trucks, the thermo-cars, the special equipment for loading bulky goods, the elevator trucks, and the carts for the various articles such as chemicals and explosives. Much more could be done through faster loading and unloading by the airlines of such expensive equipment at airports.

Other advantages are that it is remarkably quiet in operation and also very safe. Braking belts and "magic eyes" ensure that a heavy package does not run into and crush a light one on the conveyor in front of it. Through a combination of automated handling and



The combination of automatic handling and muscle power loads an increasing number of aircraft daily.

Midget submarine, stunt aircraft and 400 cases of wine

One of the pioneer airlines with the all-cargo Boeing 747F jumbo freighter, Lufthansa, recently flew one of those modest airliners non-stop from New York to its base at Frankfurt loaded with 108 tons of freight.

The more usual load for the 747F is 80 tons, and to set its 108-ton record Lufthansa had to have all conditions right—particularly favourable winds, and weather, and the correct balance between the volume and weight of the load, something that rarely happens in air cargo.

The vast capacity of all-cargo aircraft by airlines is graphically illustrated by that example, but the very size of the new generation of airliner holds has produced its own series of questions for the industry.

Most of the freight airlines delivered over the past few years were bought at a time when air cargo was a booming sector of the industry's business. Purchases were based on the assumption that air freight would continue to increase at its traditional rate of about 10 to 14 per cent each year.

The oil crisis of 1973-74, with its attendant increases in costs, notably for fuel, and worldwide inflation, trimmed the growth rate severely with the inevitable result that there is now too much empty capacity flying about the world. The all-freight jumbo, and the other new wide-bodied jets, the McDonnell Douglas DC10, the Lockheed TriStar, and the European A300 Airbus, in a similar configuration offer a solution. With their immense amounts of space and their low operating costs compared with earlier generations of smaller jets, they will enable the airline industry to keep a grip on its costs—provided the loads to fill them can be found.

The feeling in the industry is that unless there is another international business recession, the loads should grow to match the capacity in the near future.

In the meantime, wide-bodied freighters can be an embarrassment to their operators. With only a fraction of the space filled and the prospect of a heavy loss-making flight in the offing, there is the temptation for airlines to consolidate two days' flights into one, or to put back the scheduled time of departure to wait for more cargo to arrive. Both practices could get the industry a bad name among the shippers whom they are anxious to attract away from other forms of freight.

While most of the big airports in the developed countries are prepared for the arrival of a 747 loaded with

80 tons of mixed freight, in the underdeveloped countries they are often not, the result being long delays which cancel out the advantages of the speed of air freight, and also any chance that the airline may have had of making a profit.

Most of the world's big airlines today fly nothing heavier than an all-freight Boeing 707 and carry most of their cargo in the belly holds of their passenger aircraft. In the Boeing 747 that means 20 tons of cargo space, in the A300 Airbus 10 tons, in the Boeing 707 seven tons, in the Boeing 727 three tons and in the Boeing 737 two tons.

With an end to the recession there is little doubt that they will all gradually phase out, their narrow-bodied freighters and go over to wide bodies, leaving the independent split charter operators to continue to operate the 707s and the DC8s in the all-cargo role.

One answer to the difficulties of this transitional period is the "combi" aircraft—the jumbo jet which carries both passengers and freight on its main deck. Such aircraft can carry as much cargo as an all-cargo 707, and as many passengers, while its cargo capacity can be altered or enlarged at short notice to take account of the vagaries of the market.

Once the all-freight wide-bodied aircraft have become the normal equipment of every important airline they will be far better equipped to compete with traditional methods of freighting, and they are today and at the same time, will be far better able to integrate with surface transport. For the jumbos can handle containers of up to 40ft which can also be carried by road, rail and sea.

This method of cargo transport has obvious attractions for the shipper. It reduces his packing and insurance costs, makes pilferage almost impossible, and cuts down loading and unloading time.

A further advantage of all-cargo aircraft of whatever size is that the airline can be in the market to carry exceptionally large loads. A Lufthansa Boeing 707, for instance, carried the Helios solar satellite direct from Frankfurt to Cape Kennedy spring suspended inside its transport cradle. On the way the satellite had to be constantly washed with nitrogen to keep it from overheating.

Replacement propeller shafts weighing up to 24 tons each for super tankers are regularly flown around the world in the holds of all-freight airliners, enabling the tankers to be repaired

in far less time than if surface transport was relied upon and saving thousands of pounds.

Even though the international communications system attempts to keep them up to date on what the hold of every incoming jumbo holds, airlines handling staff at airports are constantly surprised at the variety of goods which appear out of the cavernous bellies of this new generation of jets.

At Frankfurt recently a Lufthansa 747F's doors opened to reveal a load which included a midget submarine, the aircraft of the American aerobatic team, and 400 cases of wine.

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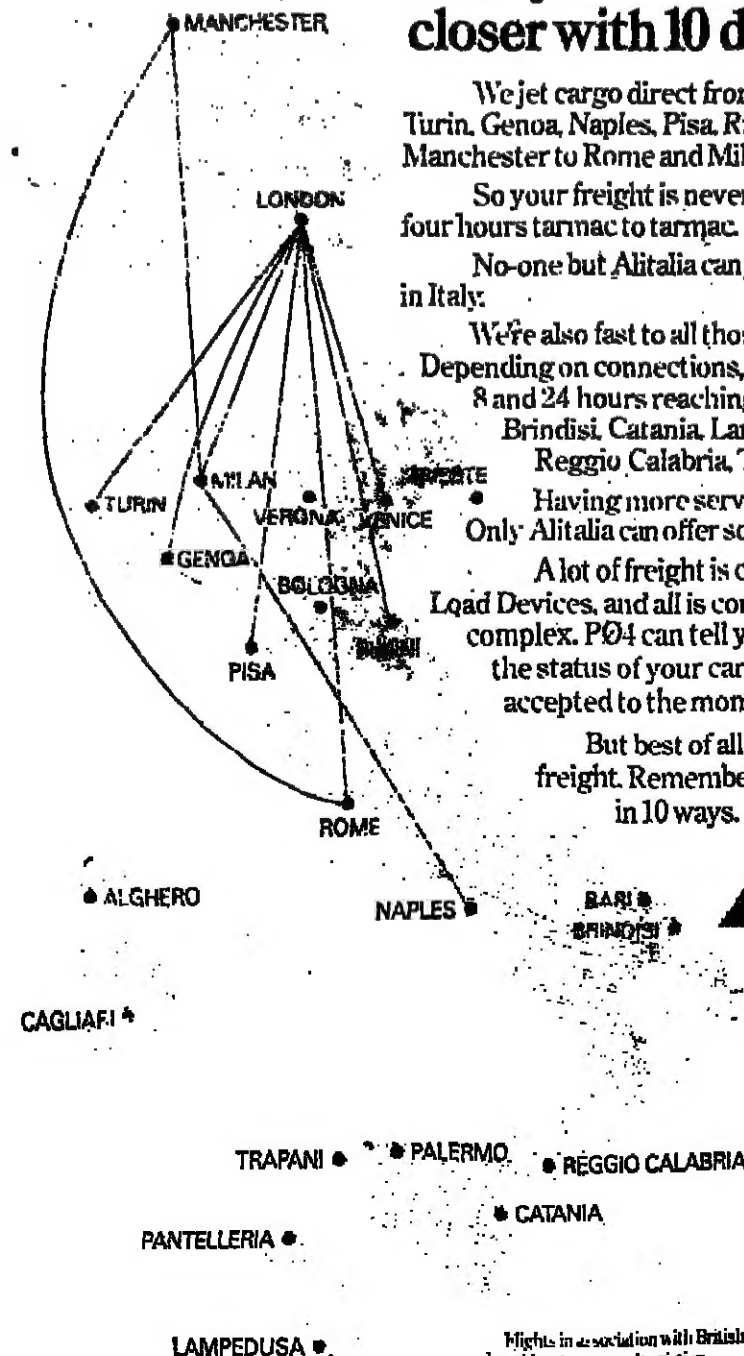
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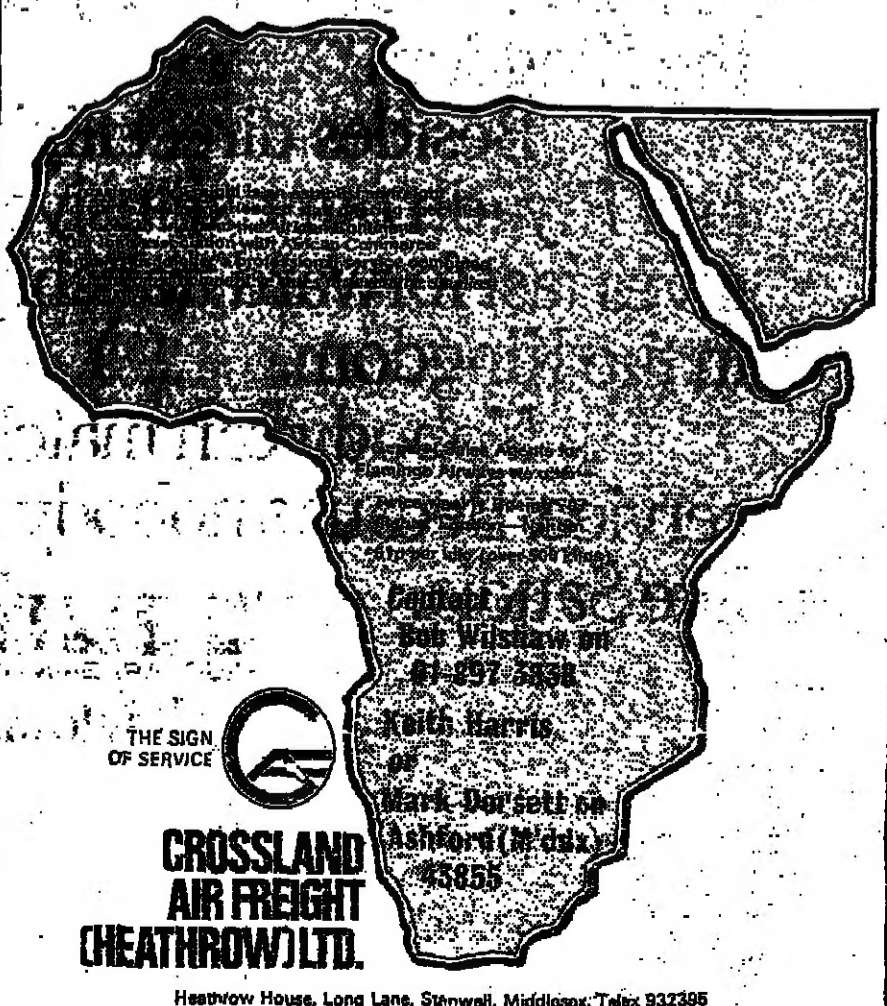
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Great opportunities open for perishable goods

The advantages of shipping perishable goods by air are obvious and have long been recognized, but according to a study by the International Civil Aviation Organisation airlines have only touched the fringe of this part of their business.

Carried out over two years, the study covered 37 states in Africa south of the Sahara, from Mauritania in the north to Lesotho in the south. The 37 states, 12 of which are landlocked, have a total population of 250 million people.

It found that while £18m worth of fresh horticultural produce was air-freighted from them to Europe each year, the airlines could carry much more if production and marketing were better organized.

Only seven of the 37 states were contributing to this traffic, the survey found. Few were aware that cut flowers represented a potential export and that the small market for flowers in Western Europe was worth \$3,000m a year. Only two African countries, Kenya and the Ivory Coast, were participating in that market.

The survey also discovered that although fresh fish commanded the highest prices and returned a profit of from 50 per cent to 100 per cent for exporters, Africa had done almost nothing to capitalize on this opportunity.

ICAO concluded that exports of horticultural products from the area by air could reach 60,000 tonnes by 1980 compared with 20,000 tonnes in 1974, that

Africa could capture half the European flower market by 1980, and that by the same date exports of fish could be worth \$25m compared with \$4.5m in 1975. The fact that the Africans are taking the survey results seriously can be seen by the purchase recently by a group of states in West Africa of the entire fleet of 10 Short Belfast turbo-prop freighter aircraft from the RAF.

The Belfast can carry a maximum payload of 78,000lb and is suitable for both long and short-haul operations from the most difficult terrain without needing highly advanced ground support equipment. It was claimed at the time of the purchase that the fleet would make its new owners, Pan African Air Freight-Liners, the "largest commercial air freight carrier in the world."

At the same time as new areas of supply, such as Africa, are prospecting, new markets for perishable air freight emerge, in addition to the traditional centres, such as Europe and the United States with a highly developed taste for raw fruits, exotic sea foods, and fresh meats.

The Middle East is a case in point. Shrimps from Ghana, beans from Brazil, beans from Senegal, caravans from South Africa arrive in increasing quantities to add lustre to the tables of the oil-rich economies of the area.

Perishables in the air freight business do not always mean foods and flowers which would become worthless unless

delivered from one side of the world to the other, packed in dry ice, in a matter of hours. There are many other items which in business terms would "go off" unless rushed to their markets—fashion clothes, pop records, newspapers and magazines, short-life radioactive substances.

Another type of cargo which is handled in increasing volume by the airlines and which could be termed "perishable" is that containing valuable—gold, platinum, gems, pearls, bank notes, travellers' cheques, stocks and shares, works of art, antiques and valuable industrial manufactures.

All of these specialized cargoes require special and expensive handling facilities on the ground at the airports through which they pass. Foodstuffs need refrigeration and deep-freeze chambers; valuables need strong rooms, although in view of recent thefts from freight sheds at Heathrow Airport, London, the standard of security offered by the airlines needs urgent review.

But, however expensive these special facilities are to install, the investment can only be a good one for the airlines. For as the ICAO survey indicates, the traffic in perishables is likely to be one of their biggest air cargo growth points in the years ahead.

Perishables, more than almost any other cargo, benefit from the advantages which are always claimed for air freight over surface transport—advantages which were recently expanded upon by the International

Air Transport Association in a special paper.

This made the point that in the highly competitive world of modern business pressures to reduce costs, to make best use of working capital, to increase sales turnover, and to improve customer service, continued relentlessly.

Air freight was no longer a means of transport to be used in emergencies or when costs were unimportant. On the contrary, it was often the most economically advantageous means for a large section of the shipping public.

"Today", IATA said, "no alert businessman can afford not to explore its potential. Air travel has a profound influence on the tempo of modern business, but air freight can achieve more in terms of economical and successful marketing."

Air versus surface costs comparisons which only took into account transport rates were meaningless. Air freight came out better in direct shipping costs such as packing and crating, insurance premiums, transport charges, transit warehousing and wharfage, and interest in capital invested in shipments en route.

IATA claimed that air freight also had advantages over surface transport in such intangible factors as speed, punctuality, dependability, better service and greater customer satisfaction, flexibility in adapting to changing marketing demands, damage, theft, pilferage and competitive position and sales turnover.



A £26,000 Lamborghini Countach sports car at Milan airport en route to Hollywood for delivery to Britt Ekland, the actress. She saw the car at an Australian motor show and placed an immediate order for a pimiento red model. It set difficulties for the shipper, Emery Air Freight, which had to squeeze the 3ft-high car into the lower deck of a jumbo jet. It arrived without a scratch.

Independents forge ahead

According to figures published by the Civil Aviation Authority, the non-scheduled cargo operations of British airlines comprise the fastest-growing sector of air freight in Britain.

Many of the principal airlines of the world, which shift air freight largely on scheduled services, both passenger and cargo, complain that the independent airlines are able to forge ahead at a time when their cargo-carriers are sluggish because the independents are free from many of the international regulations which surround them.

Certainly, the independents capitalize on the fact that most of them are not members of the International Air Transport Association. But they are also aided in their onslaught on the total cargo market by having small, dynamic management teams

able to take decisions and implement them more quickly than some of the more monolithic scheduled carriers.

IAS Cargo Airlines, with headquarters near Gatwick airport, is typical of the new breed of antipathetic British all-cargo independents. Established in 1966 as an airline management consultancy, it began operating its own aircraft two years later, at the end of 1971.

In its first full year as an airline, ended in March 1973, IAS had a turnover of £1.5m. This year, its management is estimating a turnover in the region of £2m and profits of about £540,000.

The biggest growth for IAS has materialized over the past two years. In January, 1975, the airline carried 2,517 tonnes of freight. In January this year the figure has risen to 4,222 tonnes. Within the January, 1977

figure, 1,721 tonnes were uplifted from the United Kingdom (compared with 1,066 tonnes in 1975), and a further 814 tonnes were carried into Britain (compared with 477 tonnes). The remainder was carried on flights between foreign airports—1,687 tonnes in January this year, compared with 773 tonnes two years ago.

Mr Alan Stocks, chairman and managing director of IAS, said one of the major factors which had enabled his airline to grow in Britain had been the increasing amount of return cargo carried. Revenue from this had enabled the airline to maintain its rates at levels which were attractive to British exporters—whose shipments made up the basis of the business of IAS. "The progressive liberalization of the regulations governing non-scheduled air cargo services has assisted

in allowing us to attract smaller exporters to our type of operation", Mr Stocks added.

"Until April, 1975, the rules forbade us to carry more than eight separate consignments on a IAS DCS flight. This meant tremendous problems for shippers who had to consolidate large loads before they could load them over to us. It was inhibiting to the market, and it was very frustrating for us."

Then the rule was relaxed and an unlimited number of shipments were permitted, provided they weighed a maximum of 1,000 kilograms. Later that limit was reduced to 500 kilograms, and now even this floor is likely to be abandoned, provided individual shipments are made up of 500 kilograms by a freight agent.

The official backing for these regular "split charter" services has meant that IAS has been able to market the concept of shipping by air to more and more exporters and potential exporters. Mr Stocks said that, unhampered by tax tariffs and aided by its simplified "one weight—one rate" charging system, the company has been able to demonstrate that for certain commodities it can work out cheaper to ship by air than by sea.

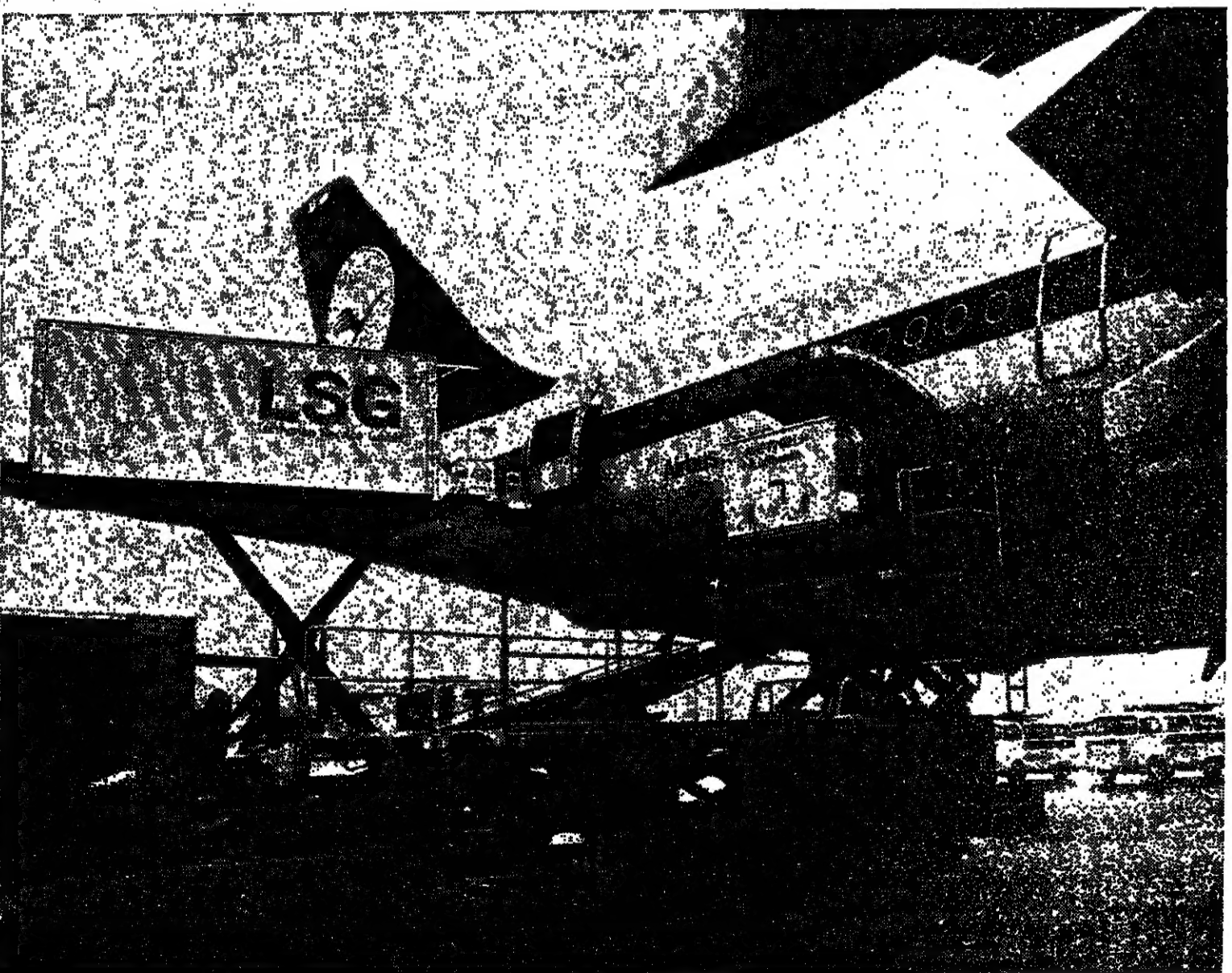
To cope with the growth in its traffic, IAS now operates three cargo DC8s, three Boeing 707s, a Super Hercules, a swing-tail CL44, and a Britannia.

Its expanded business has also resulted in the establishment of a chain of overseas offices. There are now 10, from Nairobi to Lagos, from Sydney to Rotterdam. Typical loads include chilled, freshly-slaughtered meat from Perth, Australia, to the Middle East; skins and hides and gunwale from Kono, northern Nigeria, to London, and bloodstock and livestock to and from all parts of the world.

IAS executives estimate that the total potential revenue world wide from this latter part of the air freight market could be about £10m a year. With this market in mind, they have recently invested £25,000 in the purchase of special horse boxes and cattle pens for the DC8 fleet. The main market at present is to Australia, although IAS has already established a new service from there to New Zealand carrying Australian horses.

Reviewing future trends in cargo, Mr Stocks said: "I feel that scheduled airlines may well discover that their revenues are being diluted by operating all-cargo, narrow-bodied aircraft carrying a mixture of high and low-yield commodities, as directed by the IATA rate structure."

"They are likely to find it more profitable to carry high-yield cargo in the belly holds of wide-bodied jets and combined passenger/freight aircraft, leaving the rest of the air freight market to non-scheduled all-cargo airlines, which are specially structured to operate economically at this level."



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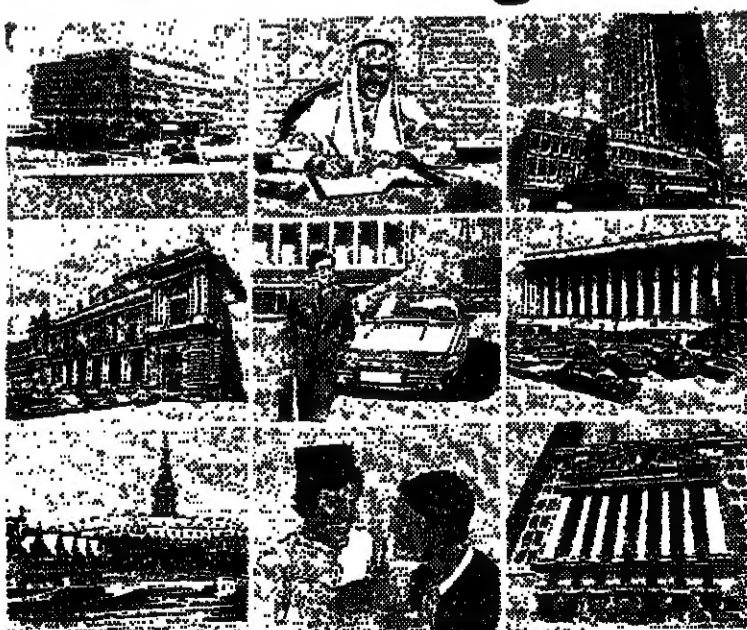
The A300's high technology wing and twin jet efficiency combine with its 4,940 cubic feet (140m³) of cargo space to give the aircraft a competitive edge and unique profitability. (Without carrying one passenger, the A300 can cover direct operating costs with cargo alone. Typically, with full cargo, break-even is only 16 passengers.)

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THE ARTS

Iphigenia in Tauris
Congress Theatre,
Eastbourne

William Mann

Kent Opera's autumn tour is now in full progress. To Cogli for tute and Eugene Onegin (already noted in this page) has been added Gluck's *Iphigenia in Tauris*. Norman Platt's production of which was unveiled in Eastbourne on Thursday: in the weeks to come it will be performed at Weymouth, With, Southsea and Canterbury.

Iphigenia in Tauris was a daring choice for a company whose circuit is in the best sense of the word, provincial. As one of Gluck's "reform" operas, written for Paris in 1779, it has always held the respect of musical historians: it is a rare case of a sequel more successful than its predecessor (*Iphigenia in Aulis*) and its performance, though infrequent, have usually excited the enthusiasm of those who attended them.

It is classical and formal, with a plot drawn from Greek mythology wherein Agamemnon's daughter, priestess of Diana, seems fated to make a human sacrifice of her brother Orestes.

Iphigenia in Tauris will seem long and stately if presented reverentially, without involvement in Gluck's dramatic musical design. Kent Opera performs it in English (Michael Irwin's new translation is lucid, intelligently elucidated by the singers, occasionally a phrase atmospherically out of keeping with the music to which it is sung), and in four scenes with one interval; the pauses for scene changing should soon be much shorter than on the first night. The meaning and the suspense are communicated without detriment to the nobility of style, so far.

Gerontius

Festival Hall

Barry Millington

In these belt-tightening days, it is reassuring to have the massed voices fielded by an ensemble such as the Fleet Choir Or. For Friday's performance of Elgar's *Gerontius* at the Festival Hall, the choir's numbers must have been the other side of 250, and although under Sir David Willcocks they produced a thrilling noise in the climactic sections and conveyed the sense of compressed power that perhaps only a large body of singers can elsewhere, I remained unconvinced of the necessity and desirability of such vast forces.

The main loss was in precision: the Bach Choir was remarkably responsive in the circumstances, but the only regret was lack of definition in all parts, most lamentably in the bass. (Things may have sounded better from a seat farther back than mine, which was disconcertingly close to the orchestra.)

Sir David's handling of the score suggested a close identification with the ideas to which the music was devoted.

The Tubes

Hammersmith Odeon

Clive Bennett

Transatlantic superlatives have long suggested the Tubes' energy, style, stage presence and sheer talent left our parody rock merchants at sixth form level. On Friday night, at their first London date, they exceeded their reputation. The show moved from an unexpectedly normal opening—a heavy metal version of "Young and Rich"—to a blistering finale which littered the stage with dancing dwarfs, a one-legged ballerina, a fire-eater, a chorus of angels and a musician in a flamed undergarment. At the centre, just about clad in silver jacket and balancing on immense platform shoes, was Fee Waybill, portraying a demented English glitter-rock star lit on borrowed time and talent who had just been crushed beneath a barrage of smoking loudspeakers, a victim of his plea for ever more decibels. En route, and in different

The plainness of Mr Platt's production is perfectly classical, as is Roger Butlin's background frieze of ominous clouds and scene azure heaven, in the manner of Claude; a few simple stage properties vary the scene. The whole is not grand, even because the need of a company touring on a small budget, but the spectacle is handsome, and it throws the onus on to the drama's characters.

They include Roger Norrington, the conductor, who plunges through Gluck's score as if his own life, not only Orestes', hung upon his efforts to reveal its exquisite as well as stirring qualities; stylish indeed, not least in the orchestral playing. In the title role Eiddwen Herby moved with real dignity and showed an enlarged vocal power infrequently verging upon a rasp, touchingly gravely in "Thine I am!" grandly stirring in "Je t'imploré" (not the most famous solos though they were delectably sung too).

Anthony Rodon made much of Pylades especially in "Divinites des grandes lames", with fitting orchestral support. But the scene which most heightened my response to this opera was the one in which Pylades and Orestes squabble about who is to be sacrificed, who to survive and insist that the other must live.

Usually sickly, it here made a tremendous effort through the dramatic interplay, not a bit of classical, of Mr Rodon and Jonathan Summers, great hirsute bull of an Orestes, towering in passion, his voice ablaze with musical and personal conviction, even to moments of coarse vocalism. In the name of style, Mr Summers' singing might be deplored; in the name of opera he transcended all such reservations. The scene's content, he also sang his second-act solos admirably, in a non-violent manner. It was a surprising, compelling part of a production stamped all over with artistic vision.

lication with it by his mastery integration of speeds he ensured that the work never slipped into a compendium of wonderful moments. He did not tail at the points of high emotion, but by connecting, for example, the slower speed of a phrase falls upon these with the same music's "appearance towards the end, he helped the ear across large expanses as well as savouring individual beauties.

At the dying, Gerontius, Robert Tear was in first part totality in command, technically sprawling, yet did not manage to present a fully rounded account of the part. His "Sanctus" was superb and his anguished cries for help touched the heart but there seemed insufficient distinction between the moods of pious optimism and the desperate "sinner of ruin" of which he also sang.

Possibly Mr Tear obeyed his own injunction to "use well the interval", for in the second half he was impressive as the Soul that has passed over and who longs for a sight of his Judge. Here, too, he was in the safe company of Alfreda Rodon's confident, intimate Angel and John Shirley-Quirk's imposing, imploring, Angel of the Agony.

costumes, Waybill had poured himself into a riotously overdone Tom and Jerry caricature, a devastating chunk of punk rock, and hosted a dreadful cut TV show.

The common denominator throughout was extreme violence from the leather fetishist staging of "Mondo Bondage" to a punk version of "I saw her standing there", which featured a chain-saw. Fears of latent corruption, though, are misplaced: the representation was so grotesque that no one could ever again take personal bondage tendencies seriously. In any case, the show was often remarkable by its lack of violence: "Don't touch me there", for instance, was accompanied by a weird sex-education film, obsessed with labelling the rude bits of Greek statues.

As you may gather, restraint was not exactly in evidence, and therein lies the success of Waybill, his seven musicians and four dancers. The parody was, in any case, must be far better than the original. And the music was good too.



The village of Sioni, near Kobi, and Mount Kazbek, Caucasus, by Lermontov

A genius seen plain

Lermontov

Tragedy in the Caucasus

By Laurence Kelly

(Constable, £6.50)

Here are riches. Lermontov was novelist, poet, artist, soldier, duellist, exile. This brief, brilliant, and vividly produced volume covers every role. The life is thoroughly researched; the works woven into it; the poems displayed in translations by many hands. Half of the 34 illustrations are of Lermontov's own paintings, drawings, and sketches (the dust cover must be preserved). His brief, spirited spell of active life is vividly described. The riddle of the duel that killed him is solved. Whether any enigma remains must be left to each reader to decide. He will never be better equipped to do so.

Is Lermontov worth so much trouble? Provided we are not asked to like the man, the answer is "Yes". He has been called "Russia's Shakespeare". That is going too far. Lermontov outlived Russia's greatest

poet by only four years. He was 26 when he died. Both men were Byronic. Lermontov was the more influential of the two. Intentionally he lived by one work, *A Hero of Our Time*. In Russia his reputation as a poet is great. It does not survive translation, except in rare instances. Subtly, he is the heart of the book for the general reader is the tale "Princess Mary". And the duel that kills Grushinsky is at the heart of that. It was the shattering impression of it should be of a cold-blooded killing. The final horror is so tense that one overlooks how much provocation Pechorin had.

There is irony in Mr Kelly's revelation that Major Marynov also had great provocation in killing Lermontov. Even though Lermontov had goaded him through some years—they had known each other since they were cadets together—Marynov was exasperated and everyone, probably including the duellists them-

him into an actor. His shrewd comments throughout the action raise jokes from even the straight lines and the plotline is sometimes overwhelmed by it. When the speaker is C. J. Allen, finally becomes the poet who impersonates Lermontov's father, he responds: "a poet? I can get locked up for that, can't you?"

To call it all good clean fun might be going a bit far, for it is blatant and vulgar, bawdy and sexually corrupted. Yet it really is a show for the eyes as well as the ears. It does not get as often as it should be because not all the playing is as adept as Mr Allen's. The clowning of Peter O'Farrell as Pechorin's servant is a splendid piece of business. The production is a good deal of fun, and the actors are well managed to slow down the frenzy around him with calculated and ludicrous movements that provide a nice contrast.

Not all the additions are really necessary, though they could begin to provide pleasure as the company continues performing and perfecting Mr Duple's tricks. At the centre, of course, is the rousing of Kate and the through lightened by what goes on with the others, is still essentially serious.

David Henry's Petruchio and Joanna McCallum's Kate both have a good deal of affection from their combat and Mr Henry's victory is never presented as malicious, but more as a necessary arrangement. The production is a good deal of fun, and the actors are well managed to slow down the frenzy around him with calculated and ludicrous movements that provide a nice contrast.

ones, expected that honour would be satisfied by both men being into the air, and then being reconciled. But when they faced each other, Lermontov said loudly, "so that Marynov could not but hear it, 'I shall not fire on that foot'." Marynov fired. It was said that for the rest of his life he "could never forgive himself that outbreak of temper that had turned him into the murderer of Russia's second greatest poet."

While the duel is the climax of Mr Kelly's narrative, it is far from being the most important or interesting part of it. Like in Russia under Nicholas I, Lermontov was a victim of the "decade" of the 1830s. Sealing it from yet another angle never fails to add new facets. The fear controlled the lives and deaths of individual officers, horrible though their fate might be. In spite of the censorship—sometimes with its consequences—the seeds of Russia's great literary harvest were sown. Literature was then international. Lermontov read English—he spoke for a complete set of Shakespeare to be

sent to him in the Caucasus—German, and French. I have often wondered whether he read Scott as well as Byron. There are passages in his letters and in *A Hero of Our Time* that suggest he had.

And the depiction of life in the Caucasus is more picturesque than anything we know of life in Moscow and St. Petersburg. Mr Kelly has retraced Lermontov's travels and presents the scene in all its splendour.

It was, Mr Kelly says, Lermontov's experience in the Caucasus that led him to write his fine poem "The Demon". Some have seen more than a touch of idealism in Lermontov's himself. More true would seem to have been the judgement of the great-nephew of Prince Vasilchikov, Lermontov's second in the hand duel, who left the evening's edition of "Lermontov", this descendant wrote, "was clearly a quite insufferable character and a pain in the neck to all those who associated with him, friend and foe alike." Alas, that has been true of many men of genius.

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William Haley

Quite a handful from Toronto

Canadian Brass

St John's

Paul Griffiths

The Canadian Brass, who Friday night gave the fourth music concert, are not so much a group of musicians as a show-business act. They are a standard brass quintet of two trumpets, horn, tuba, and euphonium, with a piece of music theatre in miniature, with the second trumpet arriving late on stage and by means of a superb jazz solo, sweeping aside the respectable avant-garde noise of his colleagues. Beside this John Wainwright's *Flores de Fie* seemed a bit tame, but there was a late Stravinskian wit to its sporting metaphors before it went silly. The two substantial works on the programme were Francis Moore's *Quintette pour cuivres* and John Beckwith's *Taking a Stand*, of which the former was the only piece about which the reviewer could find nothing funny to say. Instantly I was prepared to accept it warmly, but I have to admit that it dealt unkindly with my sympathy, showing little relief for brass sections. In that respect the Beckwith piece was no better, but at least its party games, which had the players turning up all over the hall, distracted attention from the poverty of its material. It fitted the Toronto bandful like a glove.

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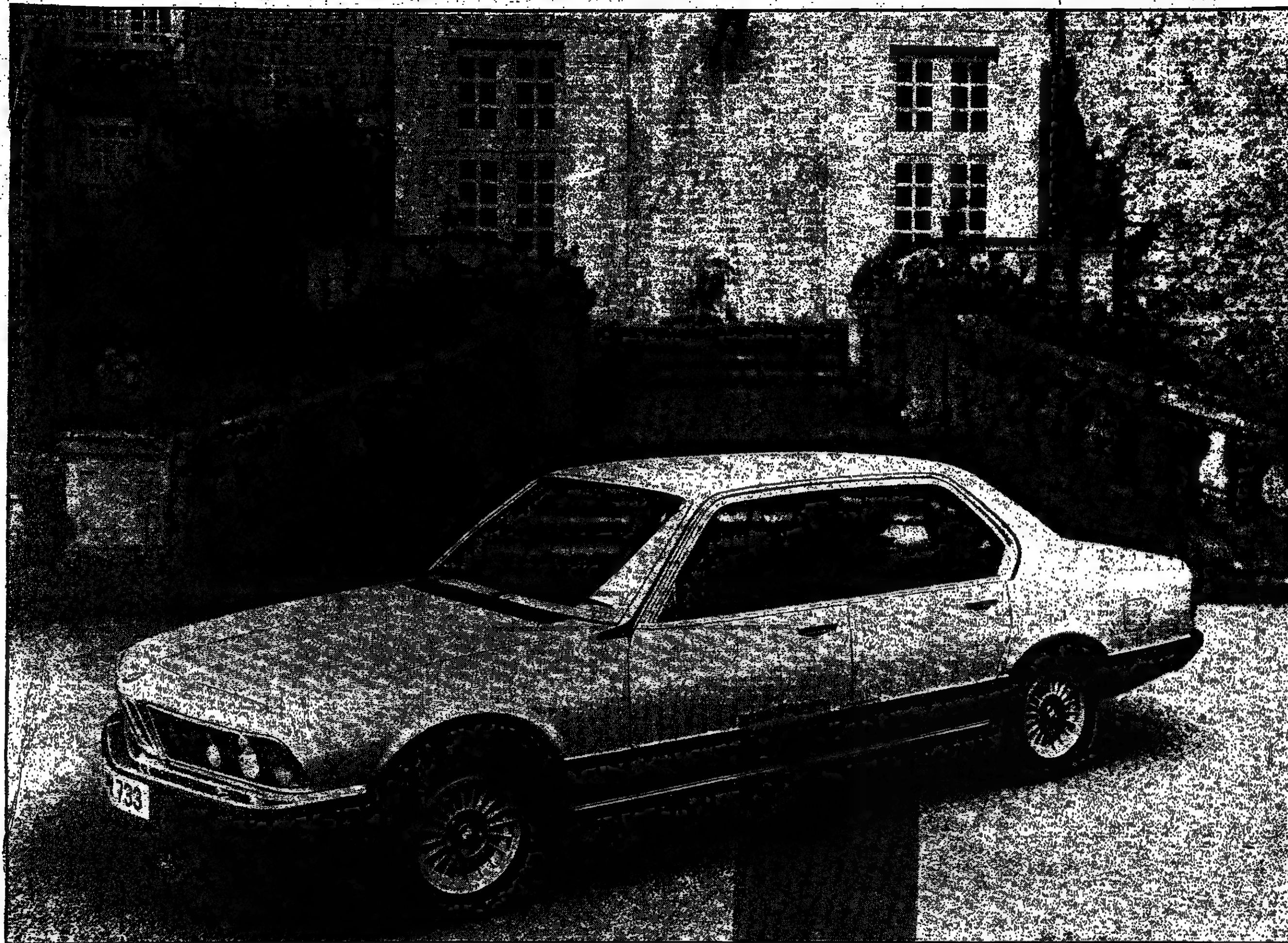
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One doesn't have to be successful to have style.



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Luxury
The first impression one has when looking at one of the 7 Series is a car of exceptional yet quiet beauty, of disciplined power and of engineering and coachwork of the very highest quality.

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In the areas where luxury cars excel—design, quality, comfort and quietness—the 7 Series has found new and better technological answers.

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The chassis combines two apparently contradictory extremes—luxurious ride with exceptional handling. The new front suspension allows softer ride whilst giving better stability with less 'dive' and 'roll'. At the rear the race proven semi-trailing arm is used. All wheels independently and correctly align themselves for the best possible ride and hold on the road regardless of the surface or camber.

Once in the car one realises that the cockpit is totally driver orientated. Seat and steering can be adjusted to any driver for maximum comfort and ease of control. Considerable research has gone into the layout and has resulted in a 'wrap around' console. All dials are equidistant from the driver's eye, all controls come immediately to hand.

As soon as one drives the car one understands the advantages of the BMW philosophy of making the driver the essential element of car design. Stress and difficult situations are reduced and the pleasure of being able to drive both courteously and as one pleases is very rewarding.

Safety

The core of the 7 Series 'passive safety' is the passenger compartment. This rigid cell with its integrated roll over bar, longitudinal and vertical supports remain intact on impact when the front or rear safety zones absorb energy. Inside the car, padded upholstery has been developed into a complete protective system. It operates at three different levels—face, shoulder and below window level with different forms of padding to give maximum protection.

In 'active safety' terms the driver is the essential element. So everything is designed, researched and developed to make his task simpler and more efficient.

The 7 Series incorporates many highly advanced, technological improvements to help prevent the worst happening. The most important being the new 'double pivot' front suspension. This gives exceptional directional stability—should one wheel hit slush, or a tyre burst, the car will remain on line.

This stability allows a new dual braking system—if there is a failure the car brakes on one front wheel and the opposite rear wheel which, with the new front suspension, eliminates slewing.

Driving Pleasure

The 7 Series combines performance and comfort in a way that no other cars have done before. A passenger has all the luxury, the smoothness of ride and the quietness to make any journey a pleasure. The driver has the effortless power and performance which encourages a new spirit of driving.

This, then, is the new BMW 7 Series range. Cars in the very highest luxury class with sophisticated, refined and powerful performance. A unique and exceptional choice amongst the world's greatest cars.

Performance glossary (Manual figures only, Source BMW)

728: 2.8 litres, 170 bhp, 0-60 in 10 secs, max 120 mph

730: 3.0 litres, 184 bhp, 0-60 in 9.4 secs, max 125 mph

733i: 3.3 litres, 197 bhp, 0-60 in 8.9 secs, max 128 mph

Prices: 728: £8,950. 730: £10,540. 733i: £11,550.

All prices correct at time of going to press.

Leasing: In today's financial conditions, leasing a BMW can create substantial advantages. Your BMW dealer will be happy to put you in touch with expert advisors on leasing who can describe the schemes in detail.



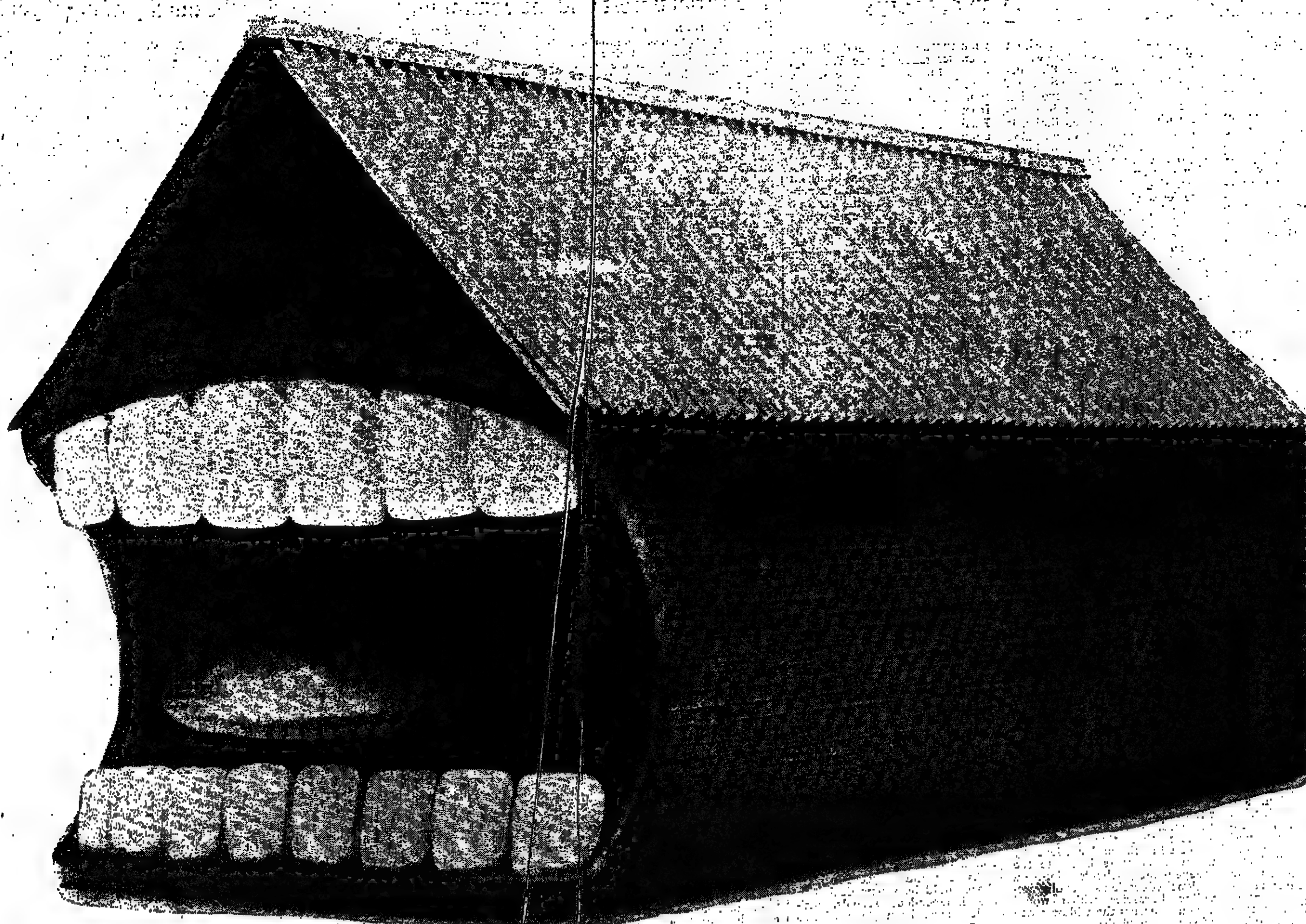
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1970	171.65	(68.95/78)	130.28	(68.95/78)
1969	220.98	(69.15/78)	61.95	(66.90/75)
1968	174.15	(59.00/74)	60.10	(59.12/74)
1967	285.35	(59.71/73)	120.90	(54.15/73)
1966	298.45	(55.00/72)	175.60	(55.00/72)

* Flat interest: held.
 • Re-dividend.

[illegible]

THE TIMES

BUSINESS NEWS



CBI emergency resolution urges firm stand on pay limit

From Malcolm Brown
Brighton

Faced with the impending firemen's strike and growing industrial unrest over pay, employers' leaders decided yesterday to add an emergency resolution on pay to the agenda for the first national conference of the Confederation of British Industry, which starts today.

After a meeting of his committee of advisers, Lord Warrington, president of the CBI, said: "We feel conference will take a very firm position on pay and inflation."

The CBI leadership would stress that in its view the battle against inflation was not won, and that pay was the main component in the inflationary package.

Mr John Methven, director-general of the CBI, said that the critical stage which had now been reached in the pay round was underlined by the fact that over the last few days nearly 200 of the 1,500 delegates to the conference had cancelled their plans to attend. "Something like 200 that we had expected to be here are back biting the shop," Mr Methven said. The number of days lost through industrial disputes in the first two months after phase two was 150 per cent to 180 per cent up on the comparable period last year, he said.

The resolution, which is likely to be proposed by Mr John Greenborough, deputy president of the CBI, states: "This conference recognises that the fight against inflation is the crucial battle, and a battle not yet won."

"Quite clearly employers are standing up in a difficult situation," he said.

Pay, which is a major part of this battle, has now reached a critical stage. The conference therefore urges Government, employers, and the trade union movement to strive for moderation in pay increases.

Figures produced from the CBI's data bank for the 15 weeks since the end of phase two, showed that pay claims were unreasonably high, Mr Methven said.

"Two out of every five would increase total employment costs by more than 30 per cent; over 80 per cent would increase these costs by more than 15 per cent," he added. However, most of the settlements were still being made within the Government's guidelines. Even the highest claims appeared to be settled at or around 10 per cent.

Mr Methven said that negotiations this year seemed to be much more long-drawn out than in previous years.

"It is difficult to estimate how many bargaining units should have completed their negotiations; however, the evidence available suggests that less than half of the employees who would normally have set-

IMF team likely to give room for new tax cuts

By Caroline Atkinson

Members of the International Monetary Fund will be flying into London this week for a progress report on the British economy.

Next year's ceilings for Public Sector Borrowing Requirement and Domestic Credit Expansion will be agreed between the fund team and the Government during the consultations, which will formally begin on Monday, November 21, and are expected to last for about a fortnight.

The fund is expected to agree on a ceiling for government borrowing in 1978-79 above both the latest official forecast of £7,000m and the central estimate embodied in last year's Letter of Intent of £8,000m.

This will leave room for substantial further cuts in income tax in the spring Budget next year.

A higher target for domestic credit expansion than the £6,000m estimate made last year is also possible.

Although Britain has announced that it will not draw the next tranche of the IMF credit arranged last November, the stand-by facility remains open and there is at present no intention to pay back the money already drawn.

This means that the Government is still committed to the conditions laid down in last year's Letter of Intent, and to reaching agreement with the fund on financial targets for 1978-79.

Last year's forecasts for PSBR and DCE were woefully out, and have been revised several times this year. Nevertheless, new targets will be set, and policy officially aimed at attaining them.

There is unlikely to be much disagreement between the fund team, led by Mr Alan Whitmore, and the Government in such matters as the target for the balance of payments, the main constraint on the Chancellor's economic policy is likely to be the money supply target, which does not even form part of the Government's target for this year.

Mr Whitmore said that the 13 per cent target for this year has already been exceeded. He said that the Government's policy of holding a stable rate for the pound was a sound one, and that the fund would usually target a 10 per cent target for this year.

There is much discussion in Whitehall about the best way to operate money targets. The present system is extremely inflexible, Mr Whitmore said, and he has been looking for a more flexible system than at first envisaged, because of the money market's reaction to the target.

Rolling targets, and a set of targets for other measures of money, as well as the money target, would go some way to help. At the moment, officials are not even certain whether they are even in overshoot or under-shoot this year's target range.

BSC 'softening-up exercise' today

By Paul Routledge
Labour Editor

Mr Bob Scholey, chief executive of the British Steel Corporation, today confers with union leaders amid mounting anxiety over large-scale redundancies and premature plant closures.

BSC is calling a third round of talks with the TUC Steel Committee, on its proposals to curb the industry's spiralling losses, now running at about £10m a week. This afternoon's discussions amount to a "softening-up exercise" ahead of the announcement of a huge half-yearly deficit on November 24.

Mr Scholey, who is meeting the executive of the Iron and Steel Trades Confederation (ISTC) at the union's request, will leave steelworkers in no doubt of the corporation's firm intention to cut the financial losses by passing more orders to modern, low-cost plants and running down the labour force at the so-called "Bewick" plants kept open on government instructions.

British Steel is offering "generous compensation" (not yet spelt out) to workers at these older plants, which employ about 14,000 workers, to get them to leave the industry permanently rather than to stay on the books with no work to do because there are no orders.

The corporation has told the TUC Steel Committee that it wants to proceed by agreement rather than repeat the "confrontation" of early 1976 which resulted in a deal on reduced manpower favourable to the union. But if no such agreement is forthcoming, BSC will tell the Government "Now you act."

Ministers find the whole issue a political embarrassment because the Bewick plants are chiefly situated in development areas with high levels of unemployment and a tradition of Labour voting south Wales, the decaying heavy industrial belt of western Scotland, the North-east, and the northern tip of the industrial Midlands.

But faced with a possible deluge of 250,000 this year unless there is immediate surgery on the over capacity of steel making, Mr Varley, the Secretary of State for Industry, may feel obliged to go at least part of the way proposed by his advisers and the corporation board.

After today's talks with the

ISTC—where a "rough ride" was predicted by one source last night, Mr Scholey will have a third meeting with the TUC Steel Committee for what must be substantive negotiations on manpower and plant reductions.

The BSC chief executive, who will be accompanied by Dr David Grieves, managing director (personnel and social policy), is expected to concentrate on getting across the critical financial state of the industry, rather than on giving details of where, when and how the jobs are to fall.

Edward Thompson writes: Sir Richard Marsh, who became chairman of the British Iron and Steel Consumers' Council last May, has written to top government ministers urging that the costs of the BSC's social problems should not be borne by steel consumers or at the expense of the BSC's modernisation programme and longer term competitiveness.

In letters to Mr Varley and Mr Healey, the Chancellor, he says: "If the decision is to maintain uneconomic jobs rather than to declare open redundancy the cost of this should be identified and BSC compensated accordingly."

The council said there were precedents for this approach in the way special problems of other, nationalised industries had been dealt with. Interventions by governments of both parties had added to the corporation's costs.

Sir Richard said that serious consideration should be given to writing off the losses to which the interventions had so largely contributed and to a capital reconstruction of the BSC.

The council has also called for the BSC to dispose of some of its assets. An examination of its accounts of the past five years had shown that assets generating sales of about £400m had consistently made losses or been substantially less profitable than companies in the same fields in the private sector.

Such disposal would enable senior management to concentrate on steelmaking activities and the funds realised could be used to maintain investment in modernisation, it argues.

Sir Richard says the measures advocated by the council would contribute to a more efficient use of national resources, the strengthening of the financial discipline on the BSC and the improvement of morale in its management.

Name of the game is making more money

More than ever America is becoming a nation of sports addicts. Americans are spending more money and watching harder on recreation than ever before. Indeed, a recent report by the Department of Commerce said that "recreation may be America's most serious business."

The scale of the business and the extent to which it affects all Americans came into sharp focus recently in two unrelated political events.

The launching of a campaign by Mr Ralph Nader, the consumer advocate, who charged that sports fans are being exploited and improperly treated; and a series of congressional hearings on the sports promotion activities of the television networks.

The Commerce Department estimates that United States spending on all forms of recreation this year will total \$160,000,000 (about £88,400m), or roughly twice the volume seen only a decade ago. Spending on sporting goods alone will exceed \$12,000m this year, and it might reach \$20,000m by 1985.

To some extent the scale of the industry and the extent to which it has grown is illustrated by the sums that television companies are willing to spend. Many people thought ABC television was mad to pay \$25m for the exclusive rights to cover the Montreal Olympic Games in 1976, but ABC made money.

Now NBC is planning to spend \$86m in the 1980 Olympic Games—to make money. NBC confidently expects to get top prices from the 150 hours of games coverage in two weeks.

Another illustration is the money that sporting stars can earn these days. Top professional golfers, basketball players, tennis players, players of American football and even soccer players, can enjoy seven figure annual incomes. Besides their earnings from these sports, many stars also have other income sources such as rental cars and after-shave lotion.

Sports clubs have sprung up right across the United States. In the past few years and holiday resorts, geared completely to the needs of the tennis player or the golfer or the scuba diver, have become a multi-million dollar industry.

America's sporting scene may reach a level where it changes the very character and demography of the nation. Miss Elizabeth Owen of the Commerce Department says that the greater outdoor recreation opportunities of the southern and western states are clearly an important factor in influencing growing numbers of Americans to move to those areas from the colder and wetter northern regions.

Perhaps the strongest argument for believing that the sports industry is set for continued rapid expansion rests in the changing average age levels of Americans.

Miss Owen says that the prime market for recreation goods are families headed by people aged between 25 and 34.

She points out: "This group is more than 50 per cent larger than a decade ago."

Frank Vogl

Whitehall's GNP stake unchanged

By Our Economics Staff

Whitehall's share of gross national product has remained remarkably stable at around 21 per cent in the past 10 years, after account is taken of transfer payments made by the state to individuals.

The Government's share of total spending has increased from 18.2 per cent to 20.1 per cent.

An analysis of some of the national income figures in the National Income Blue Book is published today in the latest issue of the official publication, *Economic Trends*.

This shows that the share of gnp which goes to the various sectors of the economy did not change very much over the decade to 1976, although the origin of the shares did.

The income of the personal sector was 69.9 per cent of total gnp in 1976, and 69.6 in 1966. But the share of income from employment, self-employment and rent dropped from 62.2 per cent to 59.5 per cent while the share coming from the Government in the form of

transfer payments (such as pensions and unemployment benefits) rose.

There is a big rise in the proportion of total income which goes straight from the pay packet to the Government, in the form of income tax and national insurance contributions.

Manufacturing industry's contribution to total output in the economy has fallen steadily from 32.5 per cent in 1966 to 27 per cent last year. Public administration and defence, public health and education, services, have all increased in importance, as have the communications industry and the value of home ownership.

International trade now plays a larger part in the economy. Exports have absorbed a rising share of total final expenditure and accounted for 21.9 per cent in 1976.

Consumer spending has fallen proportionately, from 53.7 per cent in 1966 to 46.4 per cent last year.

Imports accounted for 23 per

BP deadline for Italy to approve animal feed plant

From John Ellis
Rome, Nov 13

British Petroleum and ANIC, the state-owned chemical company of the ENI group, irritated by five years of bureaucratic procrastination, are reported in business circles to have decided to give the Italian Government a deadline of November 31 to approve the production of their Inalproteine plant near Cagliari.

The two companies each have a 50 per cent share in the plant, which is at a cost of about £5,000 million and is expected to produce 100,000 tons a year of top-grade protein for animal feed.

The Health Ministry originally authorised the plant in 1972 but this was qualified by a series of government restrictions on health and environmental grounds.

Additional objections were raised till on November 9 the ministry's Superior Health Council is reported to have called for further expert opinions on possible hazards.

BP and ANIC maintain there are no doubts about the safety of their product from the health point of view.

If the Government does not clarify its attitude by the end of January, the two companies are reported to be prepared to abandon the project.

British Airways plans to offer productivity deal

By Donald MacIntyre
Labour reporter

British Airways is hoping to make a series of self-financing productivity deals with its 54,000 United Kingdom employees after making a gross six months' profit of about £37m below budget.

The big cut in the airline's pre-tax surplus in the period April to October is a result of the "engineers' (official) strike in April, the discovery of cracks in the Trident aircraft, and the strike by air traffic control assignments controlled by the Civil Aviation Authority.

Now British Airways' management, already faced with pay claims for January 1 increases of up to 40 per cent, is hoping to make productivity improvements in return for cash increases above the Government's 10 per cent limit.

The productivity offers planned by the airline would seek to provide a 14 per cent expansion of available tonnage per kilometre during next year without a significant increase in staff.

Mr Howard Phelps, personnel director, said yesterday that extra money over the annual pay increase would be wholly conditional on output costs improving and would therefore be within Government guidelines. "We are not looking for any bogus productivity deals," he added.

Mr Phelps said yesterday that there were "encouraging signs" that the unions wanted to improve productivity and cooperation with the management.

Celon plant in danger of slowdown

Courtauld's huge Celon plant at Alntrave on Merseyside will close unless the Government provides a temporary employment subsidy.

The management announced this during the week-end when it was said that about 1,500 jobs would be axed. The crisis, which follows one just over 12 months ago, is due to a slump in textiles.

Chemical plants set up crisis fire procedure

By Our Industrial Editor

Chemical companies, the country's highest fire risk industry, today begin an emergency operating procedure under the code name "Fire-up" which will extend round-the-clock safety services to cope with the firemen's strike.

Members of the Chemical Industries Association are co-operating in setting up an emergency organisation to facilitate co-ordination in tackling fires and chemical spills. Companies will work to ensure a "rapid provision" of advice to members and the sharing with emergency and auxiliary services of the industry's extensive fire-fighting resources. Mutual aid schemes will be ready for mobilisation in the event of fires (fighting fires).

Mr Martin Trowbridge, director general of the association, has established liaison

with the Home Office under national contingency plans. The industry already operates what it calls ChemSafe, a system for helping emergency services to handle accidents with chemicals at factories, and on roads and railways.

However, he explained, the absence of normal fire services would mean a significant gap in covering emergencies so there must be total adherence to existing safety precautions. Voluntary mutual aid programmes between companies would be extended where appropriate.

Mr Trowbridge said: "It is to be hoped that, if all companies observe the recommended ChemSafe and support the voluntary aid programmes that have been established, we can avoid adding chemical dimension to problems which may arise in the event of this industrial action taking place."

Chemicals are not the only high risk industry for fire service cover and other hazards. Statistics show engineering, retail distribution and wholesaling, textiles, food, and paper and board to be vulnerable, even with protection systems approved by fire insurers under premium setting systems.

Fire protection officers in industry make the point that outbreaks do arise, even with the best precautions. For example, many outbreaks of fire occur in the retail trade after hours when staff are not around to undertake voluntary safety and fire fighting. Internal equipment is often limited to containing incidents until the arrival of public services.

Indeed, some arrangements approved by insurers and local fire chiefs differentiate on the basis of the probability of fire and alarm systems to warn public services.

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Lending rate 5 pc

The Bank of England's minimum lending rate remains at 5 per cent. The following are the results of Friday's Treasury Bill Tender:

Applications	£2,000m	Allocated	£450m
Bids at	200.00	Received	47%
Average bid	199.95	Price	201.7715
Next Friday	£350m	Receipts	£350m

Norwest Holst
total capability

Interim Results

(unaudited)

	6 months to 30.9.77	6 months to 30.9.76	Year to 31.3.77
Group Turnover	£46,480,377	£39,992,758	£75,682,512
Group profit before tax and extraordinary items	1,833,771	1,551,639	3,473,930
Group profit after tax	898,773	640,310	1,625,749
Extraordinary items*	169,638	188,365	649,023
Attributable profits	729,135	471,945	976,726
Dividend - 8.8% gross	132,077	118,138	369,181

* Extraordinary Pension Fund payments

***Increased Turnover**

***Increased Profits**

***Increased Dividends**

***Increased Balance Sheet Strength**

***Increased Organisational Strength**

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MANAGEMENT

Edited by Rodney Cowton

Companies find trade with Eastern Europe tougher

Increasingly tough terms are being demanded by the Eastern Europeans in their negotiations with western businessmen. Five-year plans are running into financial problems because of the huge increases in prices of supplies from the West since the present planned programmes began in 1975.

To narrow the shortfall by 1980 Eastern Europe is squeezing would-be trading partners in a number of ways.

A wider spread of contracts now demand counter-purchase; the proportion of counter-purchase for each contract is increasing; local sales offices in Eastern European capitals are being asked to pay tax on their turnover; and in some countries the appointment of a local agent representative is becoming mandatory, with commission levied on sales.

In fact, the big western groups have found that the only way to maintain their presence effectively in the centrally planned countries is to remodel themselves as centrally planned companies.

The most striking example of the hardening approach to trade is the series of general agreements imposed on the giant Japanese trading companies by the East German Ministry of Foreign Trade earlier this year.

All the big Japanese trading houses have offices in East Berlin and their sales to East Germany are anything from twice to 10 times as much as their purchases of East German goods.

The East Germans made a concerted approach to the Japanese, delegating a different "foreign trade organization" to negotiate with each of the Japanese companies.

In each case the organization acted on behalf of all the other organizations, so that each individual agreement became, in fact, a trade treaty between a Japanese group and the whole of East German industry.

Although differing in some items of detail, the basic result of each agreement was the same—a target of a one-to-one ratio in mutual trade by 1980.

Each agreement applies to all "spot" trade across the whole range of goods handled by the trading houses, covering textiles, chemicals, machinery and materials.

It takes the place of counter-purchase agreements on individual contracts and, seen as a whole, total trade will be eventually 100 per cent counter-purchase. The agreements permit the Japanese to buy from East Germany for sale to third countries, notably the less developed markets.

This type of trade produces its own special problems, of course. As many western trade partners have found, it is hardly possible to get credit insurance for the supply of Eastern European goods to buyers in Africa, South America and Asia.

Financially, it leaves the company in a very exposed position. These new general agreements between East Germany and the Japanese do not apply to contracts for counter-purchase of multi-million dollar plants are to be supplied and where counter-purchase is less possible. How these will be negotiated in future is yet to be seen. However, there are examples of 100 per cent buy-back requirements on big projects in Eastern Europe.

A model for these could be the \$250m contract (about £139m) awarded to Davy Powergas in May by the Soviet Union. The Davy deal included a parallel agreement between the Soviet Union and ICI and Klöckner, DVA of West Germany, whereby these two western partners guaranteed to buy \$250m worth of methanol produced by plants to be supplied by Davy. The Russians were not willing to accept anything less.

More and more Eastern Europeans are keen to try not only the technological expertise of the big western groups, but also their inherent purchasing power. Those groups that are most decentralized and proud of the independence of their member operating divisions or subsidiaries are finding themselves at a disadvantage when bargaining with foreign trade ministries and foreign trade organizations in Eastern Europe. They are finding it necessary to set up new centralized bodies to coordinate the group's approach to these markets and to use as much group purchasing muscle as possible.

In recent months ICI has strengthened its group Eastern Europe coordinating bodies, and now has an interlocking series of units making sure that world

headquarters and individual operating division managements can be called upon at short notice to support the group's efforts in those markets.

Besides a regional coordinating secretariat with special responsibilities for Eastern Europe, the group has formed an Eastern Europe Board, where each of the nine main United Kingdom manufacturing divisions is represented at director level.

The regional secretariat, or Eastern Europe "zone", as it is known, now has the benefit of a buying manager and a technical opportunities manager, who monitor eastern European markets and develop any further trade between ICI and the eastern European markets, in respect to direct sales, direct purchases, barter, buy-back, licence agreements and joint venture projects.

Several of the north American multi-nationals have created special East European coordinating bodies, and moved them to locations in Britain or another West European country, giving top executive status to the heads of the new units. Their staffs include men with wide experience in the management of group factories who are thus competent to spot in Eastern Europe the types of materials and products that could be used within the group. These units have the authority to sign individual agreements with foreign trade organizations or ministries in Eastern Europe.

The objective recently has been to create an agreement that gives maximum opportunity for potential mutual trade with the minimum obligations in terms of trade targets or ratios of imports and exports.

Those that have succumbed to Eastern European pressures at negotiating table and have actually agreed specific ratios have found these a brake on sales of Eastern Europe; most groups come up against many obstacles when attempting to

purchase eastern European goods in return.

The offers of local goods frequently involve products that the foreign trade organizations have not been able to sell through normal market channels, that are below western standards of quality and that are overpriced compared with competitive products available from western sources. One British executive who visited a factory in eastern Europe to examine the manufacture of goods on offer discovered that there were hardly any inspection and measurement instruments in use to check manufacturing tolerances.

Although the factory worked two shifts, only a short list of quality control inspectors, so at least half of the output was never checked at all. In negotiations of counter-purchase contracts, western companies are finding it essential to include clauses that relieve them of the purchasing obligation if an agreed supply of eastern European goods is found to be unavailable at the last moment—not an uncommon occurrence.

Western and Japanese groups are now frequently being given permission to set up representative or liaison offices in eastern European capital cities, but in some instances, notably in Bulgaria, these are conditional on the appointment at the same time of state agencies to act on their behalf on the local market.

In Czechoslovakia, a foreign trade organization has been known to insist on the appointment of a state agent at a large stage in negotiations so that it is difficult for the western partner to change its prices to allow for the commission that will be levied by the agent.

Salaries of locally recruited staff are rising, so that in Poland the state recruitment agency might stipulate a salary of \$1,000 a month—far above the average local wage.

Although local offices are not covered by the state, they are not exempt from local operating companies within a group, the Eastern European authorities are now approaching more companies for tax payments. They are studying group global accounts calculating a wide-wide rate of profit on turnover and then applying that rate to the sales made in the country.

The Eastern European authorities are also making an approach to the western companies. It is vital for the western groups to coordinate their approach to Eastern Europe, otherwise they will be constantly negotiating from weakness.

Sydney Pauden

Resurrecting and reburying Bullock

The Bullock report on industrial democracy may be dead in the eyes of all reasonable men, but it shows no sign of lying down. The endeavor is up and about again this morning, resurrected by a group of academics who, ironically enough, clearly want nothing more than to see it six feet under.

The would-be grave-diggers are Brian Chipman and John Coyne, of the University of Nottingham, and Dr. Ljubo Siric, of Glasgow University. Aiding and abetting them are Michael Harris and John B. Wood, general director and deputy director respectively of the Institute of Economic Affairs.

Under the enticing title "Can Workers Manage?" they have assembled a series of post-Bullock essays to form a Hobart Paper. The essays, after tearing the committee's majority report to shreds, range further afield to give a resounding, if somewhat long-winded, "no" to the author's collective question.

Perhaps the clearest and most forthright of the four articles is that from Dr. Siric, who was born in Yugoslavia in 1920, arrested and imprisoned by that country in 1947 for conspiracy against the state, and is now Lecturer in International Economics at the University of Glasgow.

Dr. Siric says that Yugoslavia is the only economy where the idea of industrial democracy has been tried for 25 years, and in his view it has been a dismal failure.

Because "the foremost preoccupation of workers" is wages, the Yugoslavs have tended to push the companies in which they work towards a high wage policy.

This, in turn, has fuelled inflation, while the rate of living index progressively from an annual rate of increase of 11 per cent in 1970 to 24 per cent in 1975.

Investment in Yugoslavia, Dr. Siric asserts, financed out of the inflationary issue of paper money. This and other unwholesome tendencies have developed because the workers have been given the right to choose, for example, between increased investment or higher wages.

In Britain workers do not have the right yet, but the tendencies are in the same direction, as indicated by the recent events in Chrysler, Leyland, British Collieries and elsewhere," the author states. These are the tendencies everywhere in Western Europe."

Later Dr. Siric says: "Yugoslav workers gladly accept high wages if their enterprises happen to work at a profit, but they refuse to

submit to a reduction if the enterprise suffers losses."

On the contrary, they usually insist on policy with workers in profitable enterprises (as do some unions in Britain), or comparability of wages (the same kind of work, which is in direct contradiction to their supposed role as risk-taking entrepreneurs).

Under the influence of party, the whole wage structure moves inexorably higher and higher, as "personal incomes" (wages) in the best enterprises move up and others follow suit.

Some Yugoslav economists consider this banking for comparability of wages, superimposed on self-management and the market, as the most potent engine of inflation.

Measures Chipman and Coyne, who are respectively Lecturers in Industrial Economics and in Labour Economics at Nottingham, are equally scathing about minority Bullock in their joint essay, accusing it of a serious misjudgment arising from a failure to recognize the importance of the role of property rights.

An acknowledged major problem in the modern corporation is the attenuation of property rights arising from the divorce between ownership

and control," they say. "Industrial democracy as interpreted by Bullock would far weaken these rights."

"The role of residual rewards or 'profits' in ensuring efficient production, is vital, whether they are allocated by capitalists or workers," and the failure to recognize this analysis is at the heart of our criticism of the Bullock Report."

There is a great deal in this Hobart Paper with which managers will both identify and sympathize. But if most of them share the view that the Bullock Committee, hamstringed as it was with blatantly loaded questions of reference, produced an unacceptable set of proposals, they also believe that worker participation must eventually be extended.

Neither the academics nor Messrs Harris and Wood have anything constructive to offer in this direction, other than maintenance and extension of the old order of things. This is a pity, for it reduces a provocative document to one that is almost as partisan as Bullock itself.

Dennis Topping

"Can Workers Manage?" Hobart Paper 77 published by the Institute of Economic Affairs, 2, Lord North Street, Westminster, London SW1P 3LB, at £1.50.

'The Times 1000' newcomers

A new edition of The Times 1000 is published today. Its major change in comparison with previous years is to extend details of the chairman and managing directors from the main table of industrial companies into the financial field.

During the past year there has been little change in the listing of the main 1,000 leading industrial and commercial concerns. Ranked by turnover, British Petroleum has remained the United Kingdom's largest industrial grouping followed once again by "Shell" Transport and Trading.

The gap between the two companies has widened a little in comparison with the previous year. British Petroleum is also the biggest profit earner and once again shows the highest capital employment of all United Kingdom companies, as well as being the company with the highest market capitalization.

The analysis of advertising expenditure is based on data supplied by Media Expenditure Analysis Limited (MEAL), and the figures cover television and press advertising.

The Times 1000 is available from Times Books, 13, Old Street, London W1P 7AG, at £8.50 plus 85p postage and packing.

Margaret Allen

The Times 1000 is available from Times Books, 13, Old Street, London W1P 7AG, at £8.50 plus 85p postage and packing.

DM1,000m gamble to help Emden find jobs

Two weeks ago, Schulte und Bruns, a privately owned West German shipping group, opened bankruptcy proceedings.

Although corporate bankruptcies have become commonplace since the recession, the case of the group claimed national attention because it was the first leading West German shipping line to become insolvent.

However, in Ost Friesland, the news was received with alarm. For the group was running a shipbuilding yard in Emden and now 440 jobs are in danger.

To most West Germans Ost Friesland is best known as the source of inspiration for a particularly weak genre of joke—the "German equivalent of the Irish joke". For economic planners in Bonn and in the Lower Saxony state capital of Hannover, Ost Friesland is a major problem area.

Unemployment around Emden is running at 8.5 per cent of the working population, or twice the national average. In Emden, with a population of around 50,000, some 440 men out of work would be almost certain to push the unemployment rate above 10 per cent.

In contrast to most German shipbuilding companies, the Schulte und Bruns yard is reasonably well stocked with orders. The largest employer in Ost Friesland, the Volkswagen works at Emden, is also operating at full capacity thanks to the continuing strength of the German car boom.

Otherwise, Ost Friesland suffers from virtually all the regional disadvantages imaginable. It is remote from major markets in Germany and continental Europe. The port of Emden, which is the region's industrial raison d'être, is too small for ships carrying more than 40,000 tonnes, suffers from outdated facilities and is prone to silting.

Although the Ost Friesland's economic position may look grim at present, it may be on the threshold of a revival.

For the Federal Government in Bonn and the state government of Lower Saxony intend to invest a sum approaching DM1,000m to create a new port in the Ems estuary.

Industry in the European regions

The Dollart port project was agreed as part of the DM16,000m infrastructure investment programme devised by the German Government in 1972 to help boost the economy.

The new port will be built to the south of the existing port complex at Emden by re-routing the river Ems to the south-west of its present course, and turning the existing river bed into a large dock.

A dyke, some 10 kilometres long and 900 metres wide, will be built to the south of the existing river to enclose the dock. This will lead to the north of the new harbour will be allocated for industrial development.

The Dollart harbour will be cut off from the sea by a lock gate. The port will take ships twice the size of those that can at present use Emden.

It has been calculated that without a large scale project such as the Dollart port development, the Ost Friesland area would have a job deficit of between 20,000 and 30,000 by 1985.

The Dollart project itself will not cover this deficit entirely. The port will take seven years to build and the planners expect only a gradual growth of industry around the new dock afterwards.

Nevertheless, it is hoped that the Dollart project will lead to the creation of between 20,000 and 25,000 jobs in the area over the coming 40 to 50 years.

But the project is not without risks. The other North German ports also have ambitious development plans, and it is hard to imagine Rotterdam losing its attractions as the major port for Germany industry in the Ruhr and along the Rhine.

In particular, Wilhelmshaven, which is about 50 kilometres to the north-east of Emden on Jade Bay, is likely to prove a formidable competitor.

Wilhelmshaven is West Germany's only true deep water port and has already profited from its easy access for large tankers and bulk carriers. The town is emerging as a centre of the chemical industry, and the state of Lower Saxony is currently negotiating with Imperial Chemical Industries on the establishment of a petrochemical plant there. It is hoped that by the early 1980s ICI will have invested DM1,000m in Wilhelmshaven and provide jobs for 650 people.

For the Federal government in Bonn and the government of Lower Saxony, Dollart is undoubtedly a gamble. But the alternative would seem to be a stagnation of the already chronic unemployment problem in Ost Friesland.

Peter Norman

LETTERS TO THE EDITOR

This is not the time to panic and massacre older steel plants

From Dr. Jeremy Bray, (MP for Motherwell and Wishaw, Labour).

Sir, Serious though the steel recession is worldwide and in Britain, this is no time to panic. Planned investments should go ahead and there should be no wholesale massacre of older plants needed to maintain a balanced industry able to respond flexibly to demand. That is true for Britain, and it is especially true for Scotland today.

BSC's half year results will be published on Thursday, November 24. They will show losses running at the huge rate of £500m a year. BSC wants to have agreement on action with the Government and the unions by then. They will be lucky if they do, but it is the deadline to which people are working.

BSC wants to close immediately the remaining open hearth shops in Scotland at Ravenscraig, Dalzell and Glenkiln, the Craignuck, the Blairgowrie, the Dalzell and the Glenkiln. Other plants under threat are BSC's half year results will be published on Thursday, November 24. They will show losses running at the huge rate of £500m a year. BSC wants to have agreement on action with the Government and the unions by then. They will be lucky if they do, but it is the deadline to which people are working.

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The main cause of the crisis is the recession worldwide. In Britain, this is always hit steel harder, later and longer than any other industry. Not only is this the worst recession we have had since the war, but it has hit the industry when it is reaching higher levels of capital intensity with higher fixed costs.

In the old days laying off shifts and closing down plants cost substantially. Now it has less effect. Imports from Japan to other European countries earlier this year, although only 10 per cent

of European demand, brought prices tumbling down in a review of new steel finishing capacity at Ravenscraig, which was already working at only 60 per cent of capacity.

BSC has improved its performance substantially in the past three years. It has reversed our trade deficit in steel, it has operated new plant with high technical efficiency, and the climate of industrial relations has improved. There is need for further improvement, particularly in the complexities of marketing, production planning and quality control. But BSC must be given credit for real progress. It deserves understanding of the task of running a performance in a big process industry, and we can have confidence that it will succeed in this task.

In 1975 and 1976 steel imports exceeded exports by £140m. In the first nine months of 1977 exports exceeded imports at an annual rate of £60m. Imports from Japan have been held level at £45m pa, and the deficit with the EEC has been reduced from £33m in 1976 to £270m pa in 1977. Exports to the United States have been built up from £90m in 1975 and 1976 to £150m pa in 1977. To achieve this performance at a time of world recession BSC has had to charge competitive prices. British steel would certainly not benefit in employment and volume terms by a general restriction of trade.

Whatever the justification of BSC's commercial policies, the appropriate reaction to the commercial results is not to cut back investment projects needed to raise the efficiency and backbone up the capacity of BSC in Scotland and in the rest of the country. The EEC Commissioner Davidson, responsible for the European steel industry, has already warned the steel industry against cutting investment.

Specifically, the electric arcs should go ahead at Hunterston and Ravenscraig, the electric arc capacity at Dalzell should be expanded, secondary steel making expanded at Ravenscraig, and the necessary debottlenecking undertaken at Gullcocks.

The mills should be kept going, pending a thorough review of new steel finishing processes to see what developments are sensible in Scotland. Unless we get over the phase of being half developed and half obsolete we shall never compete.

Provided these investments go ahead now, and there is sufficient basic open steel available from Ravenscraig for the mills to meet any foreseeable order level until steel is available from the third Ravenscraig BOS vessel and the new electric arcs, the date of the closure of the remaining open hearths can be left to the decision of the men in the plants.

If they wish to continue to the agreed Beswick dates, these agreements must be honoured. If, as at Clyde Iron, they opt for early redundancy, that is up to them; because of closure costs that would not save BSC any money this year, and precious little next. But we could only countenance such a policy if the full investment programme in Scotland goes ahead.

It would be wrong to talk of investing North Sea oil revenues while sacrificing investment in Scotland's largest industry to a passing crisis in the world's steel industry. Broadly the same considerations apply in other parts of Britain where the threatened investments are aimed mainly at improvements in efficiency rather than massive new tranches of capacity.

Yours faithfully, JEREMY BRAY, House of Commons, London SW1A 0AA, November 10.

Looking for commonsense over commercial agents

From Mr. J. A. Gannon, Sir, I urge Mr. George Clark to remove appendix 2 and to a lesser extent appendix 1 of the report.

As a member of the House of Lords Select Committee on the proposed EEC directive to harmonise the laws of the member states on commercial agents, such an exercise will be more than enough to throw a large bucket of cold water on the conclusions of the report.

Who is to know what the position is in the United Kingdom, if not the organisations representing commercial agents? Certainly not the Law Commission, the CBI, the Association of British Chambers of Commerce, or the British Federation of Manufacturers.

There is no reference in the report to the evidence given by myself, nor that of my colleague Mr. R. J. Meade. On the contrary, much play is made of little, and the evidence contained in the evidence of a small United Kingdom organisation of agents, and even here the reporting is most highly selective.

The result could be summarised in the report's conclusion as: "There is no such problem concerning commercial agents in the United Kingdom as the EEC Commission suggests, and, if there were, this is not the way to resolve it. Never was such a large brick made with so little straw."

A survey of commercial agents conducted by the United Commercial Travellers' Association some six years ago revealed that of those replying some 48 per cent had been unable to obtain a written contract for service from their principals. The legal files of this Association demonstrate the abuses by principals against commercial agents.

If the fact that some wealthy commercial agents exist in the United Kingdom is to take precedence over the fact that the overwhelming majority of commercial agents in the United Kingdom are small, one-man businesses—and thus to demonstrate that thereby no action is necessary to redress the situation of the great majority—then, do away with the National Health Service, social security, child allowance, or all; because there are, in fact, a few wealthy individuals who do not need such services, so beggars the majority and have done with such trifles.

Even worse, the report contains a number of errors. EEC directives on doorstep selling and defective products, neither of which has the remotest connection with the matter in hand, but it is all grist for a mill which had little to grind.

I feel sure that when the proposed directive is debated by the Lords the commonsense and spirit of fair play of most members will triumph over this most unfortunate report's conclusions.

Yours sincerely, JOHN A. GANNON, President, International League of Commercial Travellers and Agents, Bexton Lane, Knutsford, Cheshire.

A reassurance given on insurance practice

From the Secretary General of the British Insurance Association. Sir, I would like to reassure you that the policy will be renewed by Mr. Edmondson in his letter of November 4.

Current insurance practice was outlined in a statement issued by the British Insurance Association on November 4, May 4, 1977. Relevant extracts are as follows: "The declaration at the foot of the proposal form should be signed by the proposer, and, according to the proposer's knowledge and belief, prominently displayed on the proposal form should be a statement: (i) drawing the attention of the proposer to the consequences of the failure to disclose all material facts, explained as those facts an insurer would regard as likely to influence the acceptance and assessment of the proposal; (ii) warning that if the proposer is in any doubt about facts considered material, he should disclose them. Those matters which insurers have found generally to be material will be the subject of clear questions on proposal forms. In the case of claims, an insurer will not unreasonably repudiate liability: (i) on the grounds of non-disclosure or misrepresentation of a material fact where knowledge of the fact would not materially have influenced the insurer's judgment in the acceptance or assessment of the insurance; (ii) on the grounds of a breach of warranty or condition where the circumstances

When profits cannot be shared

From Mr. B. A. Cole, Sir, Mr. Taverne ("Liberal Party and Profit-sharing", October 28) did not read my letter very carefully. My argument is not against profit sharing itself, but against legislation—either Liberal compulsion or Conservative tax incentives.

If the fact that some wealthy commercial agents exist in the United Kingdom is to take precedence over the fact that the overwhelming majority of commercial agents in the United Kingdom are small, one-man businesses—and thus to demonstrate that thereby no action is necessary to redress the situation of the great majority—then, do away with the National Health Service, social security, child allowance, or all; because there are, in fact, a few wealthy individuals who do not need such services, so beggars the majority and have done with such trifles.

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of the loss are unconnected with the breach. Renewal notices should contain a warning about the duty of disclosure including the necessity to give details of the affecting policy which have occurred since the policy inception or last renewal date, whichever was the later."

Yours faithfully, R. C. W. BARDELL, PO Box 538, Aldermley House, Queen Street, London EC4P 4JD, November 7.

R-R REALISATIONS LIMITED formerly ROLLS-ROYCE LIMITED

Notice is hereby given pursuant to section 299 of the Companies Act, 1948, that a General Meeting of the Members of the above-named Company will be held at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY, on Monday, the 12th December 1977, at 11.30 a.m. to be followed at 12.30 p.m. by a Meeting of the Creditors for the purpose of (1) receiving an account of the Liquidators acts and dealings and of the conduct of the winding-up for the sixth year of the Liquidation; and (2) to fill any vacancies in the representatives of Members or Creditors on the Committee of Inspection in the winding-up of the said Company which may occur prior to the date of the meetings.

E. R. NICHOLSON, W. K. M. SLIMMINGS, K. D. WICKENDEN, Joint Liquidators.

FERGUSON INDUSTRIAL HOLDINGS

BUILDERS MERCHANTS ENGINEERS MERCHANTS ENGINEERING PRINTING

RECORD RESULTS

	6 months ended 31 August 1977	6 months ended 31 August 1976	Year ended 28 February 1977
Sales	£18,615,206	£14,978,647	£31,468,487
Trading Profit	867,226	625,868	1,424,551
Interest	241,622	241,147	549,284
	625,604	384,719	875,267
Employees' Profit Sharing	37,439	24,491	82,993
	588,165	360,228	782,294
Minority Interests	8,577	4,235	13,844
	579,588	355,993	776,450
Associated Companies	148,579	178,915	252,718
	728,167	474,908	1,031,168
Taxation	379,000	250,000	559,003
	349,167	224,908	471,565
Dividends	150,731	97,287	251,445
Profit Retained	£198,436	£127,621	£220,120

The above 6 months' figures are based on unaudited management accounts. If you would

BY THE FINANCIAL EDITOR

A scaling down of hopes for equities

Rather less is heard in the stock market nowadays from those who, during the summer, argued that equities were still in the middle of a bull phase and that the FT Index might be headed towards 700. The debate instead revolves much more around whether the market is still good for another rally, taking it perhaps to around 600, or whether it has already seen its best. Whatever the conclusion there is now much less optimism about the prospect for equities next year than there was.

The change of mood undoubtedly owes much to concern about the wages issue now that the focus has shifted away from the pound and "hot" inflows to more purely domestic factors. But in view of the rapidity of the preceding run-up there should not have been too much surprise at the recent market fall, any more than there should over last week's end-of-account revival as the bears came in to take profits. The unsettling feature of the setback was its scale, which set the alarm bells ringing among the chartists.

The market is now clearly vulnerable to industrial news but has one or two important factors in its favour. One is the Government's evident determination to control money supply, reiterated by last Friday's new cap stock. Another is the continuing steepness of the yield curve which holds out hopes of further firmness in the gilt-edged market, particularly since some of those who were looking for an early rise in Minimum Lending Rate are now tending to defer that expectation. In the meantime, stockbrokers L. Messel are suggesting that the new £7,500m official forecast for the Public Sector Borrowing Requirement, although lower than the market expected before the mini-Budget, may even so be £1,000m-£1,500m too high. That would be comforting news for gilts.

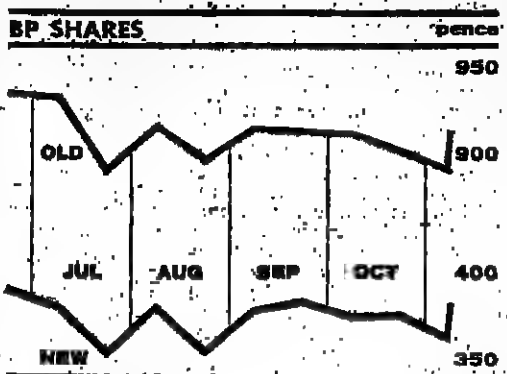
BP

Awaiting the call

Any view of the equity market over the next month should also account for the fact that some 200,000 British investors will have to put up the bulk of £250m on December 6 when the second call on the £550m British Petroleum offer becomes due. There is no reason why this should present any great difficulty in a mechanical sense; after all the obligation is clear enough, and, just in case, the Bank of England will shortly be reminding investors who were allotted partly paid shares in June on an initial payment of £3 that they will owe another £5.45 per share on December 6. Since the shares are thought to have taken their profits long ago and because their shares were probably taken up by professional investors, including the institutions who got short-supply on allotment in favour of small investors, the Bank is not expecting any great difficulties.

However, the market, naturally anxious to see what happens to BP shares after the

second call, is casting a wary eye across the Atlantic. American investors got 20 per cent of the offer in the end or just over 13m American Depositary Receipts. On June counting, that meant that Americans held over 30 million ADRs, or some 8 per cent of the entire BP equity. As ever, they are a powerful force on the market, and extremely active, a point demonstrated on Friday when Salomon Brothers traded 2 million BP shares at \$168, a deal which helped the London prices of the old and new partly paid shares up sharply to 914p and 382p respectively.



At this level the shares are still below the level achieved soon after the issue in June, and indeed BP has underperformed the oil sector quite markedly since the offer. One reason is that Americans, having been huge buyers of BP in the first six months of this year when they probably added some 6 million ADRs to the United States holdings, have tended to be net sellers since then and quite noticeably so in the past few weeks when it is estimated that between 100,000 and 200,000 BP shares per week have been sold back to London. The partly paid elements in the BP offer of course gave British investors a geared and attractive option for five months. As it happens that option has not proved as good as some people hoped, but it has nevertheless yielded a decent profit. Another factor which has caused American selling has been the strength of sterling. Americans like BP anyway because it is seen as an energy stock with all the right ingredients—Alaska, the North Sea, natural gas and even coal. These changes in American emphasis seem likely to be reflected in the BP share price in the run up to December 6, and possibly, for some time after the call, particularly as third quarter figures are due from the company just before that date, and they are widely expected to be poor.

But BP is a well-structured energy group which, apart from having the Alaskan and North Sea bonuses, is also less dependent than, say, Shell, on downstream activities where margins are being squeezed so hard at the moment. With the first substantial chunk of Alaskan earnings due via the Sohio stake in the fourth quarter, it seems worth risking a slightly bumpy ride for the rest of this year to stay in.

Leading the way for options

As The London Stock Exchange moves ponderously towards the creation of a limited market in traded options, plans by its Amsterdam counterpart for a more full-blooded affair continue apace. The Dutch programme is still on schedule to the surprise of some United Kingdom observers—and although delays are more likely to occur in the final stages, when dummy market runs start around February, it seems that only a disaster could now prevent the formation of the European Options Exchange in the first half of next year.

That disaster could yet emerge as a result of the American Securities Exchange Commission's current investigations into abuses in United States option markets. If the SEC concludes that even the most stringently regulated United States exchanges cannot be immune to fraudulent manipulation the ambitious Amsterdam proposals for a fully international market will undoubtedly take a severe knock.

A greater cause for anxiety concerns the extent of institutional involvement in option dealing, at least in any other role than that of writer-seller of the option contract. Early studies by independent bodies have, in part, revealed a marked lack of interest on the part of major funds despite the potential for using options as virtual insurance policies against adverse portfolio movements.

Thus, despite its determined efforts so far to place public emphasis on the non-speculative significance of options, the Exchange could be banking heavily on personal account dealer and private clients on the lookout for profit opportunities to provide much of the liquidity in the early stages.

In this respect, it cannot be forgotten that European investors generally do not share either the gambling instincts or stock market understanding of those in Chicago. Those inherent gamblers, the British, will be precluded from much of the action by the 100 per cent premium surrender rule on foreign option deals while the anticipated Inland Revenue treatment of option dealing—on a "wasting-asset" basis—should limit interest even in those covering United Kingdom securities.

However, Amsterdam's ambitions are fairly modest and hopes of a daily average of between 12,000 and 15,000 bargains a day look undemanding when compared with a Chicago daily average of 80,000. Meanwhile, The London Stock Exchange's own plans for a Standardized Exercise Price Options market will be heavily overshadowed, if the Dutch anticipate the Bank of England permission is granted for non-premium dealing in United Kingdom stock options listed on Amsterdam.

Business Diary in Europe: All quiet on the Brighton front

Ross Davies, Business Diary's editor, is in Brighton for the first national conference of the Confederation of British Industry, which starts today. Here is his first report:

The CBI was in the forefront of the campaign that led to Britain's joining the EEC, but after talking to the conference's president, Lord Watkinson, and to the Director-General, John Methven, yesterday it looks to me as if Europe takes a decidedly second place to the domestic issues of pay and inflation in the one and a half days to come.

A bevy of European observers is expected in Brighton, among them Jean Godeaux, Secretary-General of the Federation of Belgian Employers, Ole Olsen, head of Secretariat of the Danish Employers' Confederation, and even Olafur Jonsson, of the Confederation of Icelandic Employers. The European movement also held a party for delegates last night.

However, none of the six main motions to be debated concerns Europe directly. Nor does it seem at all clear this morning whether either of the two individual motions put forward by the CBI's European Committee is likely to be debated.

One motion stresses the importance of EEC membership to British business confidence and the other the view that EEC economic integration is consistent with free trade with the rest of the world.



Hollowood

"I'm more optimistic—I see Euro-communism as a buffer against commie communism."

pean motions would have to take their chance of being called with the 80-odd other individual motions.

About 200 delegates seem unlikely to turn up in Brighton, having been detained by industrial disputes. Even the Metro Hotel, the CBI's conference headquarters, is being picked by unofficial strikers demanding that the owners, Lorrho, pay a minimum wage of £50 a week (a little under two-thirds of the national average).

Even so, pressure from the remaining 2,500 delegates speaks so heavily, Lord Watkinson tells me, that the CBI should perhaps have been thinking of a four or five rather than a one and a half day conference. "It seems we probably got this wrong," he said.

This time last year the CBI's European Committee produced a report on EEC industrial policy

which urged the dismantling of non-tariff barriers (ie, differences over technical standards and tax legislation) and in July, reporting on the proposed enlargement of the Community, said that before this could be done EEC institutions, designed to serve a Community of six, would need to be overhauled before they served any more than the present nine members.

Nick Phillips, head of the CBI's European Policy Development section and secretary of the European Committee, told me yesterday that businessmen were still waiting for a decision on a couple of tax questions that had been before the Council of Ministers since the beginning of the decade.

The CBI-like the Government—is interested more in domestic matters. More from Brighton tomorrow.

Geoffrey Smith, president of the European Federation of Conference Towns, has just returned from Zagreb, where the federation has been holding its annual congress. He says he was impressed with the hospitality of the Yugoslavs.

Zagreb is already famous for its international fair, the fifth biggest in Europe, and is trying to get into the conference market as well.

The federation, Smith explained, has had a good year, and is now on a firmer financial footing. There have been several attempts to affiliate from Mediterranean-oriented towns, and the federation has applied to the United Nations for consultative status.

Smith, who is director of the London Convention Bureau, an agency of the London Tourist Board, is half way through his two-year term as the federation's first British president. He notes that the federation had its first convention in Amsterdam and has now been to Zagreb. "We've covered the alphabet from A to Z. So where next?"

In fact, it is Groningen, Holland, next year, and Lisbon the year after.

Wilhelm Baferkamp, the European Commissioner for External Affairs, has been falling over himself to catch the headlines

during his recent visit to the United States. He clearly wanted to ensure that he was not outshone by his palmer colleague, Viscount Davidson, who travelled with him to discuss international steel problems with leading members of the American administration.

Unfortunately for Baferkamp, steel was the only subject in which journalists in the American capital were interested. So the newspapers have been filled with quotations and photographs of Davidson from a detailed press conference he gave on steel, while two press conferences held by Baferkamp went largely unreported.

Baferkamp might have had more luck had he chosen to speak English at his first press conference rather than through an interpreter in his native tongue. But, as a consolation prize, he did manage to get a few paragraphs into the American papers from a speech outlining the dangers of protectionism he made in New York.

So keen was the EEC bureau in Washington to ensure that his words did not go unheeded, that they inundated newspaper offices with copies of his speech. This newspaper's office alone received seven copies besides one handed out to Davidson's press conference.

Two tiny, side by side, in a Westbridge supermarket: spaghetti Bolognaise 23p; Italian spaghetti Bolognaise 37p. The difference? "Frankly," said the manager, "only the price. What prices roast beef and the past six and a half years British roast beef in Rome?

Hugh Stephenson

A vital role for the Price Commission

Keeping the same name, can take on totally different tasks. Thus, for example, the Price Commission today bears remarkable little similarity to the body of the same name operating from the same address until the end of July this year. For while the old Price Commission was in the main required to implement a rigid and detailed statute governing price increases, the new Price Commission looks and acts increasingly like the old pre-1970 Prices and Incomes Board.

The section on prices and competition, however, was the shortest in last month's officially approved statement of Conservative policy, *The Right Approach to the Economy*. This may reflect the fact that it is the area of economic policy which least thought has so far been given.

It would be a pity if an institution like the Price Commission (or the National Enterprise Board for that matter) were abolished in a fit of zeal, without consideration of the consequences, or of the possibility of using them constructively. For the lesson of

the past two decades is that "prices policy" is not some kind of on/off switch.

Every government has to have at least a view on prices even if it prefers not to call it explicitly a policy. There is a spectrum of possible policies ranging from detailed and statutory intervention to benign neglect, where a body like the Price Commission can play whatever role the government of the day finds useful.

Certainly, it is a safe bet that if an incoming government abolished the Price Commission, a body bearing a striking resemblance to it would have been reestablished within five years. There are two kinds of reasons why a prices policy forces itself upon the most reluctant government. First, the areas of our mixed economy where prices are truly regulated by competition are few and declining. This is obviously true in respect of the great state monopolies. But, equally, with certain notable exceptions like food retailing, most sectors of the British economy think of price as quite as

much an administered-as a market concept.

The way in which the old Price Commission operated strongly strengthened this attitude. Consumers as well as producers became much more conditioned to the idea that a right existed to a certain level of price rise.

Secondly, though the notion that price competition is the consumer's best friend is firmly ingrained in economic theory, political dogma and monopoly legislation, there is remarkably little evidence one way or the other on the issue. It is certainly not the case, either in terms of efficiency or service to the consumer, that all monopolies are bad and all competitive sectors good. The record seems remarkably mixed.

These are areas which need to be examined in the public interest by some body with an informal, practical and, above all, non-legal approach to its brief. The Price Commission would seem to be the obvious candidate for the leading role.

Why meeting its monetary targets is proving difficult for the Fed

'Dr Burns has sufficient political experience to know that a much more restrictive monetary policy would produce furious protests from Liberal Democrats in Congress and the White House'



Dr Arthur Burns, chairman of the US Federal Reserve Board.

that these factors probably retarded the growth of M1 by approximately 1.5 per cent in 1976.

However, on November 9 the Fed's chairman told a Senate committee that there were indications that M1 growth was moving back to something like its pre-1974 relationship to economic activity.

He noted that "We still do not know whether the change in financial technology is more than a temporary aberration." This slowdown partly explains why the Fed may have failed so badly this year to hold M1 growth within its target limits. M1 in the second and third quarters of this year grew at an average annual rate of 9 per cent compared with the target level of the M1 target of 6.5 per cent.

The Fed has frequently been slow to recognise changes in the significance of deflating monetary aggregates and it is well aware that its current ranges for M2 and M3 are based on the assumption that past factors persist. Interest rates have now reached levels where people may well start withdrawing about their savings and loan institutions and place them in government securities or even corporate bonds. The Fed expects this to happen to a modest extent and therefore that M2 growth will fall back to the Fed's desired range of 6.5 to 9 per cent.

Should this not take place and the flow of funds to savings institutions continues as Federal Reserve banks; (B) foreign demand deposits at Federal Reserve banks and (C) currency outside the treasury, Federal Reserve banks and vaults of all commercial banks. M2 is M1 plus time deposits (similar to deposit accounts) at commercial banks, other than large certificates of deposit. M3 is M2 plus deposits at non-bank savings institutions.

briskly as it has in the past few months, then the actual increase in M2 may be above the target.

In addition, the Fed's difficulties have been increased by highly erratic fluctuations in the aggregates. For example, M1 rose at a seasonally adjusted annual rate of 19.4 per cent in April, by just 0.7 per cent in May and by 4.5 per cent in June. The Open Market Committee is often undecided in its views of the significance of sharp falls or gains in the average rate of money growth from one month to the next.

These erratic fluctuations in the aggregates require much more study. It is evident, for example, that the rate of government spending alone is not the sole reason why the money stock has tended to rise particularly rapidly in the first month of each new quarter, as happened last year. The Fed does not as yet have a good explanation for this phenomenon.

Lack of understanding of these fluctuations obviously affects the operating methods used by the Fed.

The Open Market Committee discusses the short- and medium-term economic outlook. On the basis of its analysis it has to establish growth rates for the monetary aggregates, particularly M1 and M2, over a two-month period.

In doing this the committee often uses a fairly wide band of 3 or 4 percentage points for the annual rate of growth of the money stock. When the committee decides that the actual growth rate of M1 and M2 looks like being faster or slower than desirable it will issue instructions to the New York based manager of the Fed system open market operations.

These will specify a stance with respect to reserve positions and, in particular, how the Fed's money market trading desk should change its operations.

Fed's chairman will informally consult with members of the committee. He then might instruct the trading desk manager modestly to change his Federal funds trading range.

The weekly money supply figures are only one consideration for the Fed's trading manager in deciding upon money market operations. The manager must pay close attention to changes in reserves and balances of financial institutions. Recently, he has also tended to monitor closely fluctuations in the dollar's exchange rate.

The variables in the behaviour of the money stock are so large that inevitably the Fed's efforts at controlling the money supply are not as successful as the Fed or anyone else would like.

However, it is clear that while the economy remains sluggish and when pressures on the Fed for easier monetary policies are intense, the Fed is aiming at a kind of compromise.

It would appear that this caution will result not only in a faster rate of money growth in the coming months than the Fed's targets would indicate, but also a further, if modest, increase in interest rates. Most bankers in the United States doubt, however, if short-term interest rates will rise by more than about one-half of one percentage point in the next six to eight weeks.

Frank Vogl

FEDERAL CAPITAL DEVELOPMENT AUTHORITY

INVITATION TO CONSULTANTS—INFRASTRUCTURE CAPITAL CITY

The Federal Capital Development Authority (FCDA) has been entrusted by the Federal Military Government of Nigeria with the task of building a new Capital City.

The selected territory for the Capital is an area of 8,000 square kilometres in the heart of Nigeria. The territory is largely undeveloped.

It is expected that the Authority will recommend a Master Plan of the City and the entire Region to the Government in 1978 and that the first proposals for infrastructure projects will be designed during that period, to implement the Master Plan.

The Authority intends to develop the territory by co-ordinating the skills of its own professional and allied staff with those offered by Consultants and by seeking the support of the Nigerian Ministries and parastatals which provide nationwide services.

In order to co-ordinate the Authority's proposals for infrastructures with the design stage of the Master Plan exercise, the Authority is now inviting Consultants with proven skills in the relevant fields to submit full details of their interests and experience for consideration.

Pre-qualification submissions should be submitted, on or before 5th December 1977, to:

The Executive Secretary,
Federal Capital Development Authority,
State House,
11 Marina,
P.M.B. 12534,
Lagos,
NIGERIA.

Submissions will be considered under the following headings—

1. PROJECT MANAGEMENT ORGANISATION: Consultants are invited to assist FCDA in programming the infrastructural development and in scheduling and monitoring all construction activities required to build a new city.
2. PROFESSIONAL ENGINEERING CONSULTANTS: Consultants are invited to assist FCDA with the planning and design of the following elements of the infrastructure—
 - (i) Road System
 - (ii) Mass Transport Systems
 - (iii) Airports
 - (iv) Electrical Supply & Distribution
 - (v) Communications Systems
 - (vi) Water Supply & Water Systems
 - (vii) Sewerage Systems

THIS IS NOT A REQUEST FOR PROPOSALS. After the screening process, selected firms will be invited to prepare a proposal based upon programming information to be supplied by FCDA after January 1978. Consultants should state for which work they wish to be considered. Submissions, in six copies, should provide the following particulars—

1. City building or major urban projects for which the Consultant was responsible.
2. Experience in developing countries.
3. The names, experience & qualifications of the responsible partners.
4. Two referees to whom FCDA may apply in confidence.

Consultants should make themselves familiar with professional working conditions in Lagos and in the territory as they will be responsible for their own support, transport and accommodation before facilities can be provided by the Authority.

FINANCIAL NEWS AND MARKET REPORTS

British Home Stores gets backing for greatest growth potential

Montagu, Loeb, Stanley shows no signs of backing away from its neck out a very long way with its latest report on Marks & Spencer, Boots and British Home Stores.

Not content with simply looking forward to the next set of figures, the broker has published projections in detail for the next five years. It even came out with a firm recommendation: "Prune holdings in Boots, retain holdings in Marks & Spencer and retain some of the proceeds in British Home Stores."

For M. & S. Montagu, Loeb sees the latest sales figure of £1,064.8m growing to £2,099.3m by 1982. Pretax profits of £102.4m will become £251.8m.

In the case of Boots total net group sales are £735m will be £1,709.6m by 1982 and pretax profits of £81.1m will become £240.9m.

But it is BHS that shows the highest potential with sales growing from £244.3m to £594.2m and pre-tax profits from £25.5m to £74.2m.

This proportional growth is reflected in the returns the broker sees from a five-year hold of each of the stocks.

Based on an M & S price of 162p and a p/e ratio in 1982 50 per cent above the 1974/75 bottom, the return is 10.25 per cent. On a 1982 p/e of double the 1974/75 bottom the return is 15 per cent. In the case of Boots the figures are 41 per cent and 91 per cent. BHS comes out top with 141 per cent and 203 per cent.

Montagu Loeb sees the clinching factor for picking out BHS as its markets. It points out that BHS is weighted towards the lower socio-economic groups compared with the classless Boots and the slightly ADC-biased M & S.

The brokers comment: "Looking to the future, however, and a general election on the horizon, only those touched by The Daily Telegraph can possibly believe that the middle classes will benefit specifically from Budget relaxations made possible by our improving finan-

cial circumstances to more than the minimum extent necessary to keep them on the treadmill. On the other hand, the will soon be in the money again—and spending it on BHS."

Explaining their methods the broker says it uses Stanley Centre forecasts and admits information on gross margins is difficult to obtain.

Lack of information caused the broker to drop Tesco and GUS from these models but a very welcome explosion of information from Boots has resulted in a much more detailed projection.

But even with the uncertainties involved in margins it believes: "That detailed model-based projections yield better results than nervous twitch-based guesswork."

The biggest British public companies are presented in a painfully harsh light by the latest in Vickers, Da Costa's "Testing for Success" series. This series originally set out to test companies on two criteria: A virtually unbroken record of rising pre-tax profits since 1969/70 and a ratio of cash flow to equity assets which has averaged at least 30 per cent over the last four years.

In July this produced a list of 63 top performers. Now Vickers has applied similar methods to the top 50 industrial companies measured by capitalization. The first revelation is that only 11 of the second list would qualify for the first.

They are: A. B. Foods, Associated Dairies, Becton, GEC, Hawker Siddeley, Racal Electronics, Trafalgar House, Wimpsey, B.M. Glaxo, and Inco.

The Vickers approach, originally inspired by an article in The Times, has now been refined considerably. A dev ratio

has been added which shows retained cash flow before depreciation against equity funds to augment the original one that simply used total cash flow.

On this basis the broker has broken down the top 50 into four classes. It admits that these do not constitute specific investment recommendations but they do represent valuable tools for the analyst.

In fact it is pointed out that their class 1 has substantially outperformed class 4 in recent months.

There are not many surprises. Class 1 is broken into three divisions and the occupants of class 1 division 1 are: Associated Dairies, GEC, Marks & Spencer and Sainsbury.

The occupants of the lowest division of class 4 are: Cement, Courtauld, GKN, Reed International, Thomson Organisation, Thomas Tilling and Woolworth.

One interesting feature is the effect recent company results have on these classifications. Sainsbury would just about hang on to class 1 division 1 and Glaxo would stay put in division 2 but Lucas Industries would almost certainly suffer a relegation. Both A.B. Foods and Great Universal Stores would hang on to division 3.

In class 2 division 2, Coats Patons were disappointing recently but would hang on, but Whitbread's recent results would push them down from class 3.

In class 4, Plessey's recent results revealed a much harder hit cash flow than the pre-tax profits would indicate. While Reed International confirmed their status.

Tilling's possibly surprising membership of the lowest group is caused by a fall in the ratio of cash flow to equity funds from 24.8 per cent in 1973-76 to an estimated 10 per cent this year. Total cash flow to equity fell from 32.8 per cent to 15.8 per cent.

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Westward TV record, but levy is 'penal'

By Our Financial Staff

Reporting record profits, Mr. Peter Cadbury, chairman of Westward Television, is highly critical of the level of Exchequer Levy which he says "penalises companies which try to run their affairs prudently."

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Political problems present obstacle to gold shares investors

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